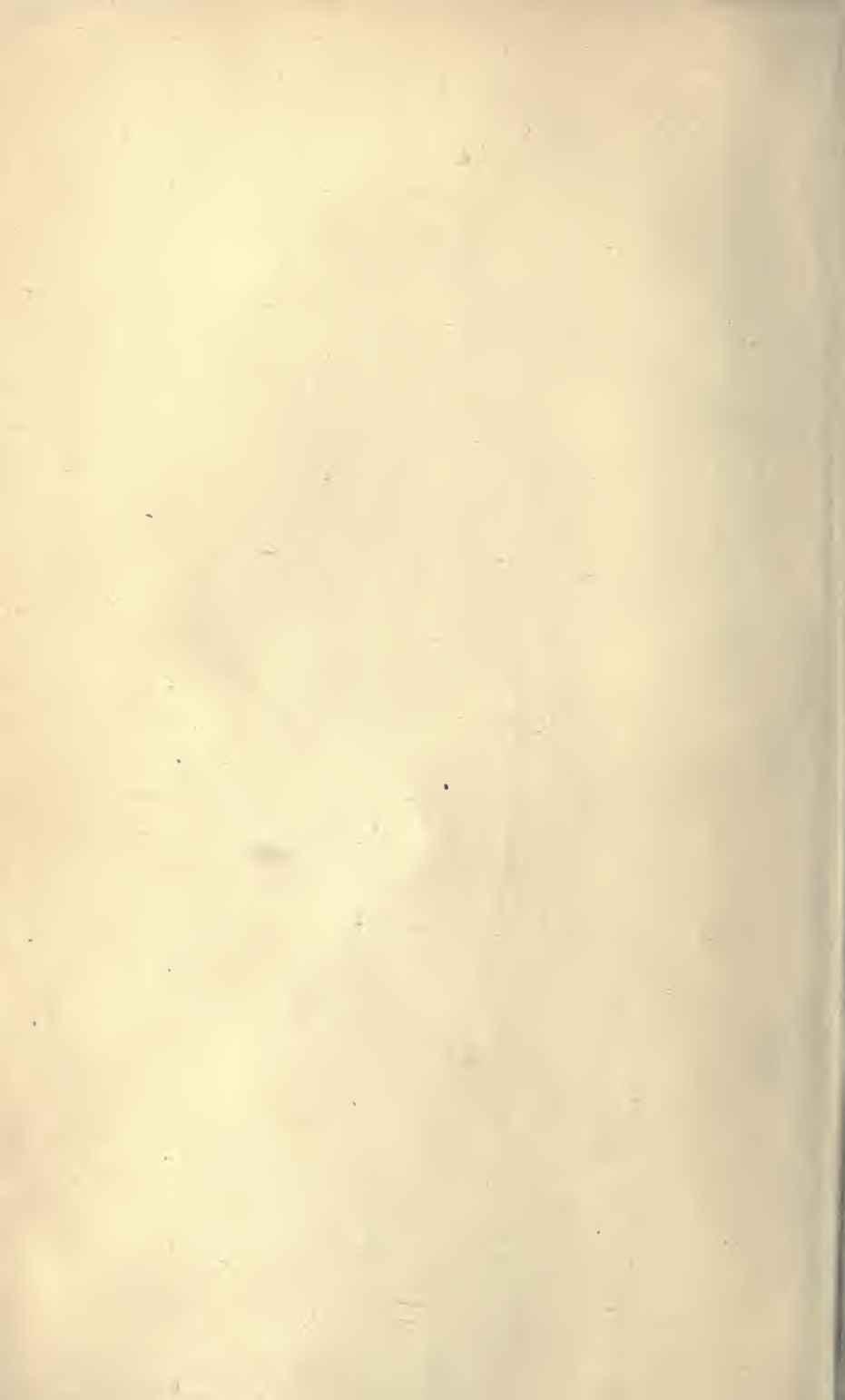


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W. E. GLADSTONE'S

FINANCIAL STATEMENTS OF 1853, 1860 - 63,

to which are added

A SPEECH ON TAX-BILLS, etc.

8267

London.

Murray,

1863.

FINANCIAL STATEMENT OF 1853.

DELIVERED ON MONDAY, APRIL 18, 1853.

*The House having resolved itself into a Committee of Ways
and Means,*

The CHANCELLOR of the EXCHEQUER rose and said,—

THE annual exposition of the financial state and prospects of this country, even upon ordinary occasions, affords abundant material of interest to this House and to the public, and of anxiety to the person charged with the preparation of that exposition; but on the present occasion, perhaps that interest on the one hand, and certainly that anxiety on the other, are greatly enhanced by a variety of circumstances, including among them the number of separate motions relating to taxes which have recently been submitted to the House, and which indicate the increasing interest, if not even eagerness, of the people with respect to financial questions.

Political events, shocks which have enfeebled or overthrown Administrations, and which have made it necessary to adjourn from year to year questions of taxation, have likewise, in the case of the present Government, greatly added to the weight of the task they have to discharge in that department. And, in connexion with those questions, there have of late been raised discussions of a nature most deeply interesting, which descend to the first elementary principles of

taxation, nay, almost to the first principles on which men are united in civilised society. With a task so formidable before me, I feel warranted in addressing a special appeal to the Committee for their kindness and indulgence, inasmuch as I am certain that only by their kindness and indulgence can I be enabled—I will not say to discharge the task as it ought to be discharged, for that is wholly beyond my power—but to discharge it so as in any case to be at least intelligible to my hearers.

The first portion of my duty will be to lay before the Committee the state of the Account of the country. I think I shall best discharge it, by taking up the state of that account from the point at which it stood last year, when the financial department was in the hands of the right hon. gentleman opposite (Mr. Disraeli); and it will be satisfactory to the Committee to observe, that as our experience grows with the lapse of time, so do we obtain larger and still larger proof of the elasticity of the revenue, and of the progress of the productive as well as the consuming powers of the country.

On the 30th of April, 1852, the right hon. gentleman opposite estimated the revenue for the financial year, which had then just commenced, at 51,625,000*l.* But in the month of December, 1852, when the right hon. gentleman had occasion, with eight months of additional experience, to return to the subject, he was able to present to us an estimate which placed the revenue of the year at 52,325,000*l.*, and thus to exhibit an increase upon his estimate, made in April, which amounted to not less than 700,000*l.* And now, within the few months which have elapsed since last December, we have further evidence, still of the same gratifying character; for the revenue, which the right hon. gentle-

man then judiciously estimated at 52,325,000*l.* amounted to no less, when we reached the termination of the last quarter, on the 5th of April, than 53,089,000*l.*, showing an increase of 1,464,000*l.* upon the estimate formed at the commencement of the financial year.

The expenditure of the last year, as estimated by the right hon. gentleman opposite on the 30th of April, 1852, was taken at 51,163,000*l.*, but the actual expenditure has only reached to 50,782,000*l.*; and consequently you have had figures presented to you in the balance-sheet which must have been gratifying to every member of the Committee, since they show a surplus of income over the expenditure for the year beginning April 6, 1852, and ending April 5, 1853, to the amount of 2,460,000*l.*

But, Sir, having reached this point by a smooth and easy progress, it is now my duty to entreat hon. gentlemen to make large deductions from the very sanguine estimate which has been made in this House—so sanguine as, considering the quarters from which it came, to excite my surprise—to the effect that, because our balance-sheet for the past year shows 2,460,000*l.* of surplus, therefore we have that sum available for remission of taxation. That would indeed be a precipitate inference. Unfortunately, before we arrive at such a conclusion, there is one circumstance rather material to examine, and this is, what is the probable or estimated amount of expenditure for the financial year which we have just commenced.

When I turn, then, to consider our probable expenditure, and compare it partly as it is estimated by us, but chiefly as it appears on the actual votes of this House, with the estimates of the last year, I find it stands as follows. The expenditure for 1852-53 was 50,782,000*l.*; but the expenditure for 1853-54, the great bulk of

which is already voted, (and upon the remainder I can anticipate, on the whole, no diminution,) amounts to 52,183,000*l*. Therefore, without now going into other particulars, which, I am sorry to say, occasion a further deduction from the surplus of 2,460,000*l*., I beg to point out that no less than 1,400,000*l*., or nearly three fifths of that surplus, are already disposed of by the charges to which you are liable under acts of Parliament, by the votes to which the House has come for the defence of the country, and by the charges we shall have to propose on account of the miscellaneous services, which, I apprehend, this House will not be inclined either to refuse or greatly to diminish.

The right hon. gentleman opposite, in December, 1852, estimated as follows his surplus for the present year. He took a total sum of 1,600,000*l*.; which was made up in the following manner. I think he stated that, on the ordinary revenue, he would venture to anticipate a surplus amounting to between 1,300,000*l*. and 1,400,000*l*., and by decrease of charge for the Caffre war, a further sum of 200,000*l*. or 300,000*l*. These two sums put together gave a surplus, as the basis of his calculation for the year 1853-4, amounting to 1,600,000*l*. At that period, the right hon. gentleman thought that the only charge against that surplus on account of coming expenditure would be the sum of 100,000*l*., which he proposed to apply to light dues and purposes connected with shipping, and the sum of 600,000*l*. for the increase he anticipated on the great military services of the country. As regards the 100,000*l*., the present Government have made arrangements which they hope will afford great relief to shipping, without any charge to the Exchequer; but as regards the estimates for defence made by the right hon. gentleman, his successors in office have not been so fortunate;

neither have they, nor has the House, thought it wise to confine the votes for the year within these limits.

I shall now state to the Committee how that surplus of 1,600,000*l.* has been absorbed.

The increase on the navy estimates amounts to 617,603*l.* In this sum I include the packet service, as it was voted in 1852, and as we found it prepared for this year; and make the comparison with the estimate of April, 1852, and do not for my present purpose include the supplemental vote of last December.

The increase on the army and commissariat services, but almost entirely on the commissariat, is 90,000*l.*; and this increase on the commissariat is to be accounted for by the fact that we have now reached, we trust, that stage in the hostilities at the Cape of Good Hope when we may consider that our extraordinary votes are at an end, and when the provision to be made has passed under the head of ordinary expenditure. Therefore, though it is our duty to submit to the House, during the present session, an extraordinary vote on account of the Cape for 200,000*l.*, which is essentially retrospective, we have likewise to submit a vote for 70,000*l.* in commissariat expenditure, which in its character is prospective, and analogous to our ordinary estimates. So that a double expenditure, as far as the Cape is concerned, is charged on the service of the present year.

The increase on the ordnance is 616,000*l.*

The militia estimates have not yet been brought to the shape in which they will be laid on the table; but I am sorry to say that there will be a large, yet I believe an unavoidable, increase on the amount estimated last year by my right hon. friend then Secretary of State for the Home Department. The estimate for the present year cannot, I fear, be expected to be much less, if

at all less, than 530,000*l.* I doubt if it was expected twelve months ago by my right hon. friend that the amount would be more than something like 300,000*l.* If this be so, there will be a considerable increase in the expense of giving effect to the plan he proposed, and it is right that the House of Commons should know clearly the expense of giving effect to any plan, especially one which has realised, in other respects, all the most favourable anticipations formed of it. The increase of expense for the militia, as compared with the reckoning of my right hon. friend, will, I apprehend, be about 230,000*l.*

The last item in these augmentations of expense is the sum of 100,000*l.*, added to the votes during the present year for the purposes of public education. If the Committee take the pains to put together these five items, they will find that, though the right hon. gentleman opposite (Mr. Disraeli) anticipated a surplus of 1,600,000*l.* for the financial year of 1853-54, the augmentations of charge, principally voted already, but in part yet to come, amount to no less than 1,654,000*l.*

However, as I have already stated to the Committee, there has been a further improvement in the revenue of the country; and there are likewise some few items of public expenditure on which the Government have been able to effect some small saving.

With respect to the important and unsatisfactory charge for the Packet contract service, it has been our most anxious desire to see what, consistently with justice, was to be done to amend the position of the public. We think that the amount of charge which that service has reached is wholly disproportionate with the benefit derived from it.

I am not at present in a condition to lay the estimate on the table, or to state exactly what the estimate will

be ; but I venture to anticipate that, at any rate for the first year, we may be able to effect a saving on it of not less than 75,000*l*. There will also be a saving on the charge for Exchequer bills, owing to the diminution of interest, amounting to about 65,000*l*. Further, there will be a sum, which the House must observe is occasional in its nature, of 135,000*l*., arising out of repayments to the Crown revenues, and available under the provisions of the law as ways and means, in consequence of a bill lately passed by the House, which had reference to Metropolitan Improvements ; and, lastly, there will be a sum available, through the liberation of the Crown revenues from a charge which heretofore affected them on the same account, to the extent of about 27,000*l*. These various items will give a fund amounting to about 301,000*l*.

I will now state more particularly to the Committee the items of anticipated revenue and expenditure of the country, from which they will see precisely the amount of the surplus we have to deal with. I should at the outset explain that I think it will be convenient that I should in all cases, disregarding minute inaccuracies, give my estimates in round numbers. I proceed, then, to present to the Committee an account of the estimated revenue and expenditure for the year 1853-54.

With regard to the expenditure, the charge for the funded debt is put down at 27,500,000*l*., and the charge for the unfunded debt at 304,000*l*., making a total for the National debt of 27,804,000*l*. The charges on the Consolidated Fund will be 2,503,000*l*. ; the Army estimates, 6,625,000*l*. ; those of the Navy, 6,235,000*l*., not including the Packet-service ; the Ordnance estimates, 3,053,000*l*. ; the Miscellaneous, 4,476,000*l*. ; the Commissariat, 557,000*l*. ; the Militia, as nearly as I can judge, 530,000*l*. ; the extraordinary vote for the Caffre war,

200,000*l.*; and the Packet-service, I think, may be reasonably taken at 800,000*l.* for the present year. These items give a total of estimated expenditure amounting to 52,183,000*l.*

I now come to the estimate of anticipated revenue. I take the revenue of the Customs at 20,680,000*l.*; Excise, 14,640,000*l.*; Stamps, 6,700,000*l.*; Taxes, 3,250,000*l.*; and Income-tax, 5,550,000*l.* From the Post-office we expect 900,000*l.*; and from the Crown lands, assisted by the addition I have already referred to, 390,000*l.* The Miscellaneous sources of receipt will this year include a sum of, I think, about 160,000*l.*, which forms the capital of the Merchant Seamen's Fund. But on account of this Fund we shall have to pay 80,000*l.* during the year on account of pensions; and the whole of the remainder, I need not say, will be absorbed long before that charge for pensions ceases. From this source, however, we expect for 1853-4 about 320,000*l.*, and from old stores 460,000*l.* To these I venture to add, though the item is necessarily one of uncertainty and conjecture, that I anticipate a saving of not less than 100,000*l.* from the operations which have been proposed to the House in connexion with the exchange and redemption of stock. It may, certainly, be less, and it may, on the other hand, be more; the final result, I hope, will show a considerably greater saving. I venture now to take credit for 100,000*l.* on that account. Adding up, then, these various items, the Committee will find that they give a total estimated income for the year of 52,990,000*l.*, against which we have to set the total estimated expenditure of 52,183,000*l.*, thus showing an apparent surplus of 807,000*l.*

Anxious, above all, to avoid raising undue expectations, I am desirous to impress on the Committee that it has to bear in mind that out of this sum of 800,000*l.* an

amount of 215,000*l.* consists not of monies which proceed from permanent or recurring sources, but of special payments available simply for the year, and not to be repeated. Likewise, considering the uncertainty connected with the item for the Packet-service and with that for the Channel Islands' harbours, on which my right hon. friend at the head of the Admiralty and I are not quite sure whether we can or cannot venture to make a reduction in the sum printed in the estimates, it is possible that the surplus I have mentioned may fall short of being realised to the extent, perhaps, of 100,000*l.* Therefore, it will be more secure for the Committee to assume that the surplus, instead of 800,000*l.* will be 700,000*l.*, and to bear in mind that 215,000*l.* out of it consists of occasional payments. At the same time, while giving this explanation by way of caution, my sanguine hope is that we shall realise a surplus of 800,000*l.*

This is the state of the Account of the country, as I have endeavoured to bring it up to the present moment. But the Committee will not have failed to observe that, in reckoning the estimated income, I have included a large sum, amounting to more than one-tenth of the whole revenue, which, from 1842 up to the present time, we have been deriving from the Income-tax. The Income-tax, however, has at this moment legally expired; and it will be for the Committee to consider whether or not they shall revive it. Upon that subject I am afraid that it will be my duty to trouble the Committee at some length; but before I venture on a detailed and continuous exposition of the views of the Government with respect to prospective finance, there are three incidental questions to which I shall briefly advert, on account chiefly of the position they occupied in the financial statement of my predecessor in the office I now have the honour to fill.

The first of these has reference to a particular class. Now, as regards the Shipping interest, the House knows from a statement already made by my right hon. friend the President of the Board of Trade, that Her Majesty's Government propose to afford what they trust will be found considerable benefit and relief to that interest, without imposing any annual charge whatever upon the public.

But there was another interest mentioned by the right hon. gentleman opposite (Mr. Disraeli) which has so much hold upon the general sympathies of the House, that respect and consideration require of me that I should not leave it without mention; I mean that which is called the West Indian interest. With regard to the West Indian interest, I regret to say that there is indeed little, if anything, that can be done by a Government, in our view, consistently with its more extended duties to the public, in fulfilment of the demands which that interest has preferred. With regard to a reduction of the duty on sugar, which is one of its requests, in proportion to the fall in the duty upon foreign sugar, so as to maintain the differential rate that now exists between them, it is entirely impossible for the Government to hold out the smallest hope that their recommendation can be adopted. With respect to the question of refining their sugar in bond, which is of a different character, my hon. friend the Secretary to the Treasury (Mr. Wilson) will take a future occasion of entering more at large into that question; but I regret to say that we have not discovered any method of granting that privilege in the present state of the law with respect to sugar which would be satisfactory to the West Indians and to the refining trade, and which at the same time would not inflict very heavy loss upon the revenue. With respect to the equalization of the spirit duties,

again I fear that really nothing remains to be done in that respect. I believe the distillers of this country consider that already the duties have been somewhat more than equalized, all things considered, in the case of the West Indies. At all events we are not prepared to propose any change in the law in the nature of an equalization of spirit duties as between colonial and domestic produce.

There is but one way in which it has occurred to the Government that they might entertain a sanguine hope of being able, at very slight charge to this country, perhaps at no charge, to confer material benefit on the West Indies, and that is a way which, if it can be effected, will, I am sure, command the approbation of this House, because it will be by enabling them to economise the heavy expenditure of their own governments; a heavy and now in many cases almost a ruinous expenditure. In the case of Jamaica, for example, there is a public debt, the minimum rate of interest upon which is 6 per cent., and the maximum 10 per cent., the capital of the debt amounting to about 500,000*l.*; and if it were possible for the Government to induce the Assembly of Jamaica to amend the vicious constitution of that island, and to place it upon a foundation that would give scope for a strict control over expenditure, Her Majesty's Government would then be disposed to recommend to this House to employ the credit of this country in the way of guarantee on behalf of the Island of Jamaica. I do not now inquire whether that would entail a charge upon you; I believe it would entail none. I should be the first to assert that there ought to be the utmost jealousy as to the interposition of the credit of this country between debtors and creditors out of this country; but considering all that has happened to the West Indies—considering the effect that British legisla-

tion has had in precipitating the difficulties that weigh upon them—I do believe that if we were able to point out a prospect of great and effectual relief to Jamaica, to be indirectly obtained through an effectual reform in its government, this House would look with a generous and a considerate eye upon any proposal for using the credit of this country in the manner that I have mentioned. What I have said refers to Jamaica, which presents at this moment by far the most urgent case of distress among the West India colonies; I am not sure that there is any other among those colonies which would be in a condition to request a similar interposition; if they did, it would depend upon the case they might show. I do not think it likely that such a case will arise: all I mean to say at the present moment is, that the door would not be absolutely shut against them.

I pass on now from the collateral topic of the West Indian interest to another such topic—that connected with the Exchequer Loan Fund. After all that passed in debate in December last, it was evidently the duty of Her Majesty's Government to make a full investigation into the transactions of the Board, which administers that fund. We have instituted that investigation; we have presented the results in print to the House: they are in a form so simple, that an inspection occupying only a few minutes will exhibit them to any hon. member. It appears from the figures there presented, that even after debiting the Exchequer Loan Fund—I will not say with every folly of Parliament, but with every questionable or ambiguous grant that Parliament has made—after charging the whole of this to the last farthing, yet such has been the sound discretion exercised by the members and officers of that Board in the loans they have made, that while they have afforded an

immense amount of local accommodation, they have likewise realised, after paying every expense that belongs to the Office, a net balance of not less than 227,000*l.*, which balance, if we put values such as sanguine men might perhaps put upon certain investments that have not yet been realised, it is far from impossible may be raised to nearly 1,000,000*l.* of money to the credit of the entire transactions of the Board. It is our candid opinion, under these circumstances, that the favourable sentiments expressed by my right hon. friend the First Lord of the Admiralty, in December last, in regard to the Exchequer Loan Fund, are justified by the facts, and it is not our intention to propose the abolition of that system, which we think has been both honourable to those who have administered it, and highly beneficial to the country.

I now, Sir, approach a very difficult portion of the task that I have to perform—the discussion of the Income-tax. And here the first question that this Committee has to consider is, whether or not it will make efforts to part with the Income-tax at once. I do not say that such an alternative is impossible. On the contrary, I believe that by the conjunction of three measures, one of which must be a tax upon land, houses, and other visible property, of perhaps 6*d.* in the pound; and another, a system of licences upon trade made universal, and averaging something like 7*l.*; and the third, a change in your system of legacy duties; it would be possible for you at once to part with the Income-tax. But Her Majesty's Government do not recommend such a course to the Committee. They do not recommend it, because they believe, in the first place, that such a system would, upon the whole, be far more unequal and would cause greater dissatisfaction than the Income-tax; they believe, likewise, that it would arrest other beneficial

reforms of taxation ; and they believe that it would raise that difficult question in regard to the taxation of the public funds of this country in a form the most inconvenient. I might dilate upon this subject, but it is needless to do so. I leave it to those, if such there be, who are prepared to recommend the immediate abandonment of the Income-tax. Such is not the recommendation of Her Majesty's Government.

Now, in regard to the Income-tax, I wish that I could possess the Committee with the impression, that effort and study have made upon my own mind, of the deep and vital importance of the subject. We are too apt to measure the importance of the subject by the simple fact, that we draw from this tax 5,500,000*l.* of revenue. Sir, that sum is a large one, but the mention of it conveys no idea to the Committee of the immense moment and magnitude of the question. If you want to appreciate the Income-tax, you must go back to the epoch of its birth ; you must consider what it has done for you, in times of national peril and emergency ; you must consider what, if you do not destroy it—and I will explain afterwards what I mean by “destroy”—what it may do for you again, if it please God that those times shall return.

Sir, it was in the crisis of the revolutionary war that, when Mr. Pitt found the resources of taxation were failing under him, his mind fell back upon the conception of the Income-tax ; and, when he proposed it to Parliament, that great man, possessed with his great idea, raised his eloquence to an unusual height and power.

There is a description of the speech of Mr. Pitt on that occasion, written by a foreigner, a well-known writer of the day—Mallet du Pan—which I may venture to read to the Committee ; I believe that even

after the lapse of fifty-five years, it will be heard not wholly without interest. This is an account which, in a periodical that he edited, he gives of Mr. Pitt's speech in 1798 :—

“ From the time that deliberative assemblies have existed, I doubt whether any man ever heard a display of this nature, equally astonishing for its extent, its precision, and the talents of its author. It is not a speech spoken by the Minister ; it is a complete course of public economy ; a work, and one of the finest works, upon practical and theoretical finance, that ever distinguished the pen of a philosopher and statesman. We may add this Statement to the learned researches of such men as Adam Smith, Arthur Young, and Stuart, whom the Minister honoured with his quotations.”

I do not know whether the Committee are aware how much the country owes to the former Income-tax ; but, because I deem it to be of vital importance that you should fully appreciate the power of this colossal engine of finance, I will venture to place before you, in what I think an intelligible and striking form, the results which it once achieved. I will draw the comparison between the mode in which your burdens were met, during three periods ; during that period of the great War when you had no Income-tax ; during that period of the war, when you had the Income-tax in a state of half-efficiency ; and during that last and most arduous period of the war, when the Income-tax was in its full power.

From 1793 to 1798, a period of six years, there was no Income-tax : from 1799 to 1802, there was an Income-tax, but the provisions of the law made it far less effective, in proportion to its rate, than it now is : and lastly, from 1806 to 1815, a period of ten years,

you had the Income-tax in its full force. Now, every one of us is aware of the enormous weight and enormous mischief that have been entailed upon this country by the accumulation of our Debt; but it is not too much to say, that it is demonstrated by the figures, that our Debt need not at this moment have existed, if there had been resolution enough to submit to the Income-tax at an earlier period. This test of my assertion, I think you will admit, is a fair one. I begin by putting together the whole charge of government and war, together with the charge of so much of the National Debt as had accrued before 1793; so as to make (if I may so express myself) a fair start from 1793. The charge of government and war, together with the charge of debt incurred before 1793 amounted, on the average of the six years, down to 1798, to 36,030,000*l.* a-year: the revenue of that period, with all the additional taxes that were laid on, amounted to 20,626,000*l.* a-year; there was, therefore, an annual excess of charge above revenue—charge for government, for war, and for debt contracted before 1793, but not including the charge of debt contracted since 1793—of no less than 15,404,000*l.*

Now the scene shifts. In 1798 Mr. Pitt just initiates the Income-tax, and immediately a change begins. In the four years, from 1799 to 1802, the charge for the same items that I have mentioned, which had been 36,000,000*l.*, rose to 47,413,000*l.* a-year; but the revenue rose to 33,724,000*l.* a-year, and the excess for those four years was diminished by nearly 2,000,000*l.* a-year; instead of an annual excess of 15,404,000*l.* over revenue, it was 13,689,000*l.* But next look to the operation of the tax, both direct and collateral, from 1806 to 1815, during the very time when our exertions were greatest, and our charges were heaviest. The

average annual expenses of war and government, from 1806 to 1815, together with the charge upon the debt contracted before 1793, were 65,794,000*l.*; but you had your Income-tax in its full force, with your whole financial system invigorated by its effects, and the revenue of the country now amounted to 63,790,000*l.*; while the deficiency in actual hard money, which during the war represented something like double the amount in debt, owing to the rate at which you borrowed, instead of being 15,404,000*l.* a-year, as it was in the first period, or 13,689,000*l.* a-year, as it was in the second period, was only 2,004,000*l.* a-year, from 1806 to 1815.

Such was the power of the Income-tax. I have said there was a deficiency annually of 2,004,000*l.*, but it is fair for you to recollect, and it is necessary, in order fully to present to you the fact I want to place in clear view, that out of the 65,794,000*l.* of charge which I have mentioned, about 9,500,000*l.* were due for charge of debt contracted before 1793; so that, if you compare the actual expense of government, including the whole expense of war from 1806 to 1815, with your revenue when you had the Income-tax, it stands thus before you—that you actually raised 7,000,000*l.* a-year during that period, more than the charge of government, and the charge of a gigantic war to boot. That, I must say, is to my mind a most remarkable fact. It affords to me the proof, that if you do not destroy the efficacy of this engine—I do not raise now the question whether it is to be temporary or permanent, which I hold to be quite a different question, and I will enter upon it by and by—it affords you the means, should unhappily hostilities again break out, of at once raising your army to 300,000 men, and your fleet to 100,000, with all your establishments in proportion. And, much as may

be said of the importance—in which I concur—of an army reserve and a navy reserve, and of having your armouries and your arsenals well stored, I say this fiscal reserve is not one whit less important; for, if it be used aright, it is an engine to which you may again resort; and with this engine, judiciously employed, if unhappily this necessity should arise—which may God in His mercy avert—with it, judiciously employed, you may again, if need be, defy the world.

This, then, is the purpose which the Income-tax has served; that, in a time of mortal struggle, it enabled you to raise the income of the country above its expenditure (at the time) of war and civil government; and that service, so performed, was performed at a season when men do not minutely inquire into the incidence of taxation, they cannot then indulge themselves in the adjustment of details, but they are afraid lest they should lose the mass and the substance of the aim they have in view. But times, when the hand of violence is let loose, and when whole plains are besmeared with carnage, are the very times when it is desirable that you should have the power of renewed and free resort to this mighty engine, to make it again available for the defence and the salvation of the country.

Well, Sir, the Income-tax dropped, along with the purpose of the Income-tax, in 1816: but it was destined to be revived. Sir R. Peel, in 1842, called forth from repose this giant, who had once shielded us in war, to come and assist our industrious toils in peace; and, if the first Income-tax produced enduring and memorable results, so I am free to say, at less expenditure by far in money, and without those painful accompaniments of havoc, war, and bloodshed, so has the second Income-tax. The second Income-tax has been the instrument by which you have introduced, and by which I hope

ere long you may perfect, the reform, the effective reform, of your commercial and fiscal system ; and I, for one, am bold enough to hope, nay to expect and believe, that, in reforming your own fiscal and commercial system, you have laid the foundations of similar reforms—slow, perhaps, but certain in their progress—through every country of the civilized world. I say, therefore, Sir, that if we rightly use the Income-tax, we shall be entitled, when we part with it, to look back upon it with some satisfaction, and to console ourselves for the annoyances it may have entailed by the recollection, that it has been the means of achieving a great good immediately to England, and ultimately to mankind.

Let me now attempt to present to the Committee a closer analysis of this impost. I shall assume that it is your view, as it is the view of the Government, that we cannot, at the present moment, with a due regard to the public interest, dispense with the Income-tax ; let us next look a little into its composition. Let us attempt to investigate the charges which are alleged against it. I am not one of those, who make light of such charges. In my own individual opinion it is perfectly plain, from the mode in which the Income-tax was put an end to at the termination of the great war, that it is not well adapted for a permanent portion of your ordinary financial system. Whether it is so or not, a matter on which there is a great difference of opinion, yet I think this is on all hands agreed, that it is not adapted for a permanent portion of your fiscal system, unless you can by reconstruction remove what are called its inequalities. Even, however, if you could remove its inequalities, a question into which we will patiently examine, there would still remain in my mind at least objections to it of the gravest character.

The reconstruction of the Income-tax would, I think, under any circumstances, be found to open up social questions of the most serious import; and the machinery of the Income-tax, involving, as it necessarily does, to so large an extent, the objectionable principle of self-assessment, can never, in my opinion, be satisfactory to the country. First, because self-assessment leads to grievous frauds upon the revenue, and renders the real inequality of the tax far greater than any of those among its inequalities which immediately strike the public eye and feelings; and, secondly, because of the tendency to immorality, which is, I fear, essentially inherent in the nature of the operation.

But now let us examine the composition of the Income-tax. First, let me observe, that we are too much in the habit of speaking of this impost as merely a simple tax; it is rather a code, or system of taxation. In mere bulk it is a volume; it has been elaborated by many successive strokes in successive years; it has accumulated a large mass of precedents for its application, and, in short, it is a vast and complicated system of taxation, by which we succeed in raising, in round numbers, 5,600,000*l.* a-year. One-28th part of this sum is 200,000*l.*

Now, if you investigate the composition of Schedule A, you will find that land and houses—which I take together, because their position is in many points substantially analogous—including the incomes charged upon them in respect to mortgages and settlements, pay no less than 12-28ths of the tax, or about 2,400,000*l.*

Next, let us look at the other great element of this tax—namely, the payment that proceeds from trades. In order to get at this payment accurately, we must descend a little deeper than the mere classification of

the schedules. There are in Schedule A some considerable classes of property which pay duty along with land and houses, to the extent, I think, of about 270,000*l.* a-year, yet which are essentially trading concerns. These I exclude. For the purpose which I have in view I must likewise take out of Schedule B the sum paid for the occupation of land, and place it along with trades, with which it is essentially analogous in character. This gives me 330,000*l.* more, and then I come to what I may call trades proper—namely, those which appear in Schedule D, and which pay a sum of something like 1,200,000*l.* These three branches of trades in Schedules A, B, and D, contribute an amount of no less than 1,800,000*l.*, or 9-28ths of the whole tax;—and the two together—that is to say, land and houses and trades, pay 4,200,000*l.*, or 21-28ths of the whole tax. There remain the Funds in Schedule C, which pay 750,000*l.*, or 1-7th of the whole tax; and salaries in Schedule E, which pay about 1-17th of the tax. Professions in Schedule D, after striking out those which partake rather of the character of trades, pay 250,000*l.*, or about 1-22nd of the tax. Thus we see, the funds, salaries, and professions make up the remaining fourth of the tax; three-fourths being paid either by land and houses, or by trades.

Now, it is said that gross inequality is the characteristic of the tax, and that it ought not to be levied, that it is unjust to levy it, upon precarious and realized income alike. What income is precarious, and what income is realized? Income derived from trade would, I presume, be called precarious; and, without wishing to anticipate the judgment of the Committee, I may probably assume that this is their opinion. Now, I beg the Committee to observe that, after all, the main question is between land and trade. Everything else, in

respect of bulk and magnitude, forms but a mere outlier and appendage to this, the main question. Land and houses, we find, pay an income-tax of 2,400,000*l.*, and trade pays 1,800,000*l.*; between them they pay three-fourths of the whole tax. It is, therefore, evident that the justice of the present relations between land and trade must go a considerable way, I do not say the whole way, towards the solution of the great question whether the tax is, in its basis, a just tax or not.

Let us, therefore, now proceed to examine the case, as it stands between land with houses on the one side, and trade on the other; and, if the Committee will do me the favour to follow me in the estimate I am about to enter upon, it shall be my endeavour to place the matter before them in as clear a light as possible. My first object will be to show the rate of tax really paid by land and houses. When persons say that realized and precarious incomes ought not to pay the same rates, and that therefore the tax should be reconstructed, they forget to inquire whether at the present moment realized and precarious incomes as represented by land and houses on the one hand, and by trades on the other, do or do not pay the same rates. Let us, in the first place, see at what rate land and houses do pay. Land pays in the gross 7*d.* in the pound upon the rent; not upon an income assessed by the possessors of the property, but by a standard independent of them; and this sum is paid without any but insignificant deductions in respect of the difference between gross and net receipt. It is obvious that, in order to estimate how much land and houses really pay, we must deduct the whole of the difference between the gross and the net income. Nay, we must do more than this, because the owners of land and houses are not the only persons beneficially interested in this description of property; there remain

behind a large body of mortgageors, incumbrancers, and life-renters, who, although they pay 7*d.* in the pound on their share of the proceeds of lands and houses, do not pay anything towards making up the difference between gross and net receipt.

In the estimate I am about to submit to the Committee, I have been guided by inquiries which every member of it is as capable of making as I am. I can only say, that this estimate has been framed in a spirit of moderation, and tested, as well as the case admitted, by reference to persons most familiar with the subject. About 80,000,000*l.*, the gross income of land and houses, pays the tax. At 7*d.* in the pound, this gives, in round numbers, 2,333,000*l.* What, I ask, are the deductions which ought to be allowed for the difference between gross and net income? I will not say according to an arbitrary standard of equity, but, if we should break up the present scheme and construct a new one, what should we be called on, and of course I must say, what should we in justice be compelled, to allow on this score? In Scotland, among the differences between gross and net income from lands, one class are known by the designation of "public burdens." We have no analogous phrase in England; but we have heavy deductions, perhaps on the whole not less heavy than in Scotland, from gross rental. The first great item is the large charge for repairs; and under this head I include all repairs of buildings, fences, and such drains as are not kept by the tenant. Repairs constitute a heavy charge upon land; but as regards houses it is still heavier. You must allow something for insurance; and something also for law charges, without which it is impossible to conduct business connected with landed or house property. You must further allow, I will not say all the cost of management, but as much of it as you allow to a

merchant under Schedule D—you must allow for clerks, sub-agents, ground-bailiffs, offices, stationery, stamp-receipts, and so forth. You must allow for arrears of rent; and you must likewise allow for what are called abatements of rent, which are a real deduction from income. How much shall we allow under these heads? What is the gross deduction we must make from the income of 80,000,000*l.* supposed to be received by the owners of land and houses? I take it at 16 per cent. I do not think this an unfair estimate; I am certain that it is, in some instances, a very low one. If 16 per cent. be a fair deduction, it is evident we should reduce the 80,000,000*l.*, subjected to a tax of 7*d.* in the pound, by the sum of 12,800,000*l.*, which is actually expended before the income reaches the pocket of the owner; and, therefore, we have arrived at this point, that we have now got instead of 80,000,000*l.* of income, only 67,200,000*l.*, and this reduced amount pays a tax amounting to 2,333,000*l.*

Then I come to another question, upon which I must again resort to conjectural supposition. What is a fair estimate to make of the total amount of charges on land and houses, all over the kingdom, in respect not only of mortgages, but of settlements, and all other arrangements of that kind? I venture to estimate that one-fourth part of the gross income derived from land and houses passes into the pockets, not of persons beneficially interested in them, properly speaking, but into those of mortgagees, annuitants, and others who receive under settlements. If that be so, then it appears that the owners of land and houses do not receive 67,200,000*l.*; but from that sum you must deduct the fourth part of 80,000,000*l.*, which reduces their income to 47,200,000*l.* This sum of 47,200,000*l.* is, then, the net receipt of those beneficially interested in land and houses. But

you will justly say that the incumbrancers, who receive the 20,000,000*l.*, pay the Income-tax. Well, let us see what their quota amounts to. Sevenpence in the pound on 20,000,000*l.* gives 583,000*l.* Deduct this sum from the 2,333,000*l.* paid by the owners of land and houses, and the sum of 1,750,000*l.* will be left; so that this is the amount actually paid on an income of 47,200,000*l.* Now if hon. members will take the trouble to apply the figures I have stated, they will find the result to be this—that the sum of 9*d.* in the pound on a net income of 47,200,000*l.* would amount to 1,732,500*l.*; and that, consequently, under the law as it now stands, the income derived from land and houses is taxed at the rate, not of 7*d.*, but of 9*d.* in the pound. Then, what I want to know is this; supposing there to be a *primâ facie* case for breaking up the Income-tax on the ground of inequality between the two classes of payers, namely, the owners of land and houses, and those engaged in trades, do you, on the whole, think that if a difference had to be made by express law between the two classes, it ought to be greater than that which now exists? I do not raise the question whether there ought to be any difference whatever between the two classes; or whether the income of the year is not the just and proper object of a tax intended to provide for the services of the year; I pass that question by; but I show you that, according to a rational estimate, land, if taken together with houses, at this very time pays 9*d.* and trade 7*d.* in the pound; and I ask any moderate man whether, if we were now about to establish a different rate of payment between the two classes, he would think of making the difference greater than seems actually to exist at this moment?

In December last, the right hon. gentleman opposite (Mr. Disraeli) proposed that realized income should pay

a tax of 7*d.*, and precarious income a tax of 5½*d.* Now, if any one will have the kindness to compare my figures with the right hon. gentleman's proposal, it will be found that, within a small fraction of a farthing, the rates paid by the two classes of income are at present equivalent to 7*d.* and 5½*d.* I assume that, if we break up the present Income-tax, it must be for some object. If that object be to relieve trade at the expense of land and houses, it is well that those, who may be about to sanction that purpose, should consider where they are to begin in fixing the proportions of the payments to be made by different classes, and where they are to end. If it be desired to settle the question according to the views which have impressed themselves on the minds of many moderate and intelligent men, according to the view taken by the right hon. gentleman opposite, and by my hon. friend the member for Wiltshire in the Committee which sat upon this subject—namely, by making land pay about four, and precarious income about three—then I say that object is already accomplished, for the payments of the two classes bear that proportion to each other at this moment.

But let us go further in the consideration of this deeply-important question. It is commonly stated, that though we cannot do justice to each individual, we may do justice as between classes; and that for this purpose we must take an average of each class within itself. Now, I question the doctrine of those who propose to do justice between the various kinds of income by establishing averages for each class within itself. This is not the course advocated by the hon. member for Montrose. The hon. member is always consistent, and always manful; when he sees a difficulty in his path, he takes no pains to get out of the way. His instinctive sense of fairness, and scorn of artifice, lead him, in his

attempts to reform the Income-tax, into difficulties, which a man acting as a tactician would avoid. He says, Fairly appraise the property or income of each individual. But the common notion is, that incomes should be classed in averages. In the name of reason and common sense, I ask how those who demand either equality, or an approach to it, can think they are to obtain it by averaging classes of income? Look at annuities. The tables give the value of a life of the most favourable age at about 20 years' purchase; but go upwards to 70 or 75 years of age, and the value of the life is only five years' purchase: yet you propose to average, forsooth, these dissimilar cases; to bring up the value of five years' purchase, and bring down the value of the 20 years' purchase, to a common standard. What possible average can these interests admit of? A life of 20 years' purchase is four times the value of one of five years' purchase. Will it be any consolation to the life of five years' purchase, who is to be averaged say at 13 years, when he shall be called on to pay much more than twice as much as he ought on the principles of the reformers of the tax to pay, to find that the life of 20 years' purchase pays only one-half, or little more, of what he should pay? Still more absurd would be the attempt to average trades. Many trades, taking prospects of increase into view, are worth 25 years' purchase. I venture to say, that if the matter be closely investigated, it will be found that many trades are better, on the whole, than perpetuities, and for this reason, among others, that trade affords opportunities for providing for children and relations such as no other pursuit presents. Let us, however, state the case moderately, and say that some few trades may be worth as much as 25 years' purchase; there are others not worth more than five, four, or three years' purchase, and how are you to average

the interest of a trade worth three years' purchase with another worth 25 years' purchase? I must enter my protest against this averaging of classes, as a mode of what is called doing justice in the matter of the Income-tax: and I do not believe the members of these classes will be disposed to submit to such a system in any case, except where it may happen to work in their favour.

There is another topic, of a somewhat painful nature, connected with this branch of the subject, to which I must briefly allude. We have seen that land pays 7*d.* in the pound; and that according to a standard of value, which does not depend on the will or testimony of its owner. Trade, on the other hand, pays 7*d.* in the pound; and this poundage is assessed by each trader on himself. I have no doubt that, in the majority of instances, the returns of our traders are fairly and honourably made. There are many cases, in trade, in which it is a matter of extreme difficulty to know what return to make, what really is chargeable as profit; and I believe that in not unfrequent cases the doubt is solved by the honourable trader against himself, and that he returns his profits as greater than they really are. Let it not be supposed, then, that I am going to impute to the trading classes of England generally the conduct which is pursued by some individuals. I am going to state an extreme case. It is an example, not of what has been generally done, but of what can be, and has occasionally been, done upon the scale I am going to show, and of what I fear on a smaller scale is often done. I will mention no names; I will violate no confidence; but I will state what has recently happened in a great town,* where a new street was to be built. The persons who lived and carried on business in the old street, which was pulled down to make way for the

* The town was London, and the street Cannon-street.—*Note in 1863.*

new one, had been charged at certain amounts to the Income-tax. They had also, of course, made returns at certain amounts under the Income-tax. When the new street came to be built, they very properly claimed compensation for the loss of their business. The amount had to be assessed by a jury. Without wearying the Committee with details, I will state the amount of compensation which these persons—in number 28—demanded; the amount awarded them by the jury, which may be taken as, on the whole, an approximation to the real value; and the amount at which they returned their profits under the Income-tax. Were I to descend to individual cases, it would be almost impossible adequately to describe the partly ludicrous and partly shameful aspect which they assume. Some of them may have been honest and just: but if so, the case is all the worse for their neighbours. I will therefore deal with the matter generally, and say that 28 persons in all claimed the sum of 48,159*l.* as compensation for their profits for a single year. The amount of compensation awarded by the jury was 26,973*l.*, or a little more than half what was claimed. But what was the amount at which they had returned their profits for assessment to the Income-tax? They claimed 48,000*l.*; they got from the jury nearly 27,000*l.*; but the return of profits for assessment to the Income-tax which they separately made had amounted only to 9000*l.*

I deeply regret that the great body of honourable men, who have made the name of British commerce famous throughout the earth, and that less even for its energy than for its truthfulness, should be degraded by association with persons who could perpetrate frauds like these. But at the same time frauds of this kind, and in many other cases, do exist; they are inseparable from the character of the impost, human nature remain-

ing as it is; and it is impossible, when you are called upon to consider the question of the re-adjustment of the tax, wholly to dismiss them from consideration.

Now, Sir, I leave this part of the question with the proposition, which I think will hardly be controverted, that as regards the state of the case between land and trade, reserving other cases for separate consideration, there is no sufficient ground to attempt the reconstruction of the Income-tax.

I have three other cases still to consider; and first I will take the case of Schedule E, which contains the payments that are derived from the incomes of the salaried servants of the public. I think that no class of persons is, in point of fact, now included in Schedule E, with the exception of persons connected with the Bank of England, who may not be called, in one sense or another, public servants. Some of them may be servants of local or separate authorities, as for instance of the East India Company, but they are, I think, all in some sense or other public servants, and they are generally servants of Her Majesty's Government.

With respect to the case of these public salaries, I think it is scarcely possible to distinguish between such incomes and life incomes. As they are usually held almost for life, with retirements in prospect, their durability is little inferior to that of life incomes; and their inferiority, in respect of durability, is upon the whole compensated by this,—that they are usually progressive incomes, while life incomes are usually fixed. It is impossible, I think, for any dispassionate man, under these circumstances, to draw a distinction between the case of salaries and that of life incomes, as against the latter, for the purpose of the Income-tax. With regard to remissions upon salaries, the case seems to be pushed with some vehemence both ways. At present there is a

movement among the civil servants of the Crown for a change in regard to their superannuation funds, which would amount to an increase of salary. The tide has but lately turned; for it is not very long since the right hon. member for Oxfordshire (Mr. Henley) made a motion in this House (and, unless I am much mistaken, he all but carried it) for reducing salaries of this description wholesale, by no less than ten per cent. If the right hon. gentleman thinks that such salaries ought to be reduced by ten per cent., I would suggest that it would be better, instead of prosecuting his original plan, to reduce them by a little less than ten per cent., rather than break up the Income-tax on this account; in any case I think I shall carry general assent when I say it would be much better to deal with public salaries, if they are to be dealt with at all, by a separate arrangement, than to make them the occasion of an attempt to perform an operation on the Income-tax, which, up to this time, all the persons who have been responsible for our finances—if we except the right honourable gentleman opposite—have unanimously declared to be impossible or absurd, or both. ✓

Now, Sir, I come to what is supposed to be the sore place of the Income-tax—Schedule C; and when the Committee have heard what I have to say, I will fearlessly appeal to their love of justice, and will presently put it to them whether Schedule C, even if it stood alone, is not rather a reason why they should refuse to break up the Income-tax, than why they should be inclined to make the attempt. I know this is a bold challenge; but wait a while, and see, whether I will not make good my position. In the first instance, I will read to the Committee a testimony that has come from across the Atlantic, but simply in order to impress upon them the conviction that, when we approach Schedule C, we

begin to tread upon very delicate ground. We wrote to the United States to ascertain what was done in that country, where taxes of this nature are levied, with respect to the public stocks or funds; and I have here a short letter, signed by Mr. Everett, and dated "Department of State, Washington, 10th of February, 1853," in which he says:—

"Sir,—I have the honour to acknowledge the receipt of your note of the 9th inst., inquiring, by direction of Her Majesty's principal Secretary of State for Foreign Affairs, whether the public debt of the United States is subject to property or income-tax in the hands of those who hold the stock, and also whether, in the acts authorizing the contracting of the debts, any provision was made, exempting them from taxation.

"In reply, I have the honour to inform you, that there is nothing in the constitution of the United States, or in the laws creating the public debt, which prohibits this Government from levying a tax on that debt; the Governments of the respective States, however, can levy no such tax, as this would be an act impairing the obligation of a contract, which is expressly forbidden by the federal constitution."

It appears to me, upon a fair view of this part of the case, that we must set out with this doctrine admitted on all hands; that we are bound to give some rational construction to those words in the loan Acts, which provide that the public dividends shall be paid "free of all taxes and charges whatsoever." I think, and I urge, that we are bound to give them a rational construction. Mr. Pitt thought the rational construction to give to them was, that you should not look at all to the nature of the source, but that you should consider the dividends, for the purposes of the Income-tax, simply in relation to the receiver as so much income. I am bound

to say that I think Mr. Pitt's construction of the pledge was the safest and the wisest. It has, at any rate, been acted upon for more than 50 years, and under it the great bulk of the public debt has either been borrowed or reborrowed. I do not mean now to dwell upon the difficulties you might have, in the case of these Acts, in proceeding at this time to impose a new construction of the contract, after a former one has so long prevailed ; but what I do beg you to acknowledge is, that there is only one other construction, in any sense rational, that could be given to the words in the Loan Acts : and it is this, that we are entitled to look, if we choose, not at the mere amount of annual income, but at the durability of the income, as tested by the price of the income when it is sold. I will suppose, then, the proposition now is, that we should reconstruct the income-tax, in order that we may levy the tax upon something like what is called the capitalized value of the income.

Considering the circumstances under which the income-tax was first imposed, and the circumstances under which that change is now suggested, I never can believe that it would be adopted by a British Parliament. Observe not only the effect which it would have upon the interest of the fundholders, but above all the light in which it exhibits the dealings of the State with them. When Mr. Pitt imposed the income-tax he said to those persons, " We have nothing to do with capitalized value or with price in the market ; we can look to nothing but what you receive from year to year." At that time, when the fundholder was taxed upon his income from year to year, what was the capitalized value of his income ? About sixteen years' purchase. That was not far from the average capitalized value of the fundholder's income for 17 years of the income-tax, until the conclusion of peace, I mean, in 1815. Suppose your

new doctrines had been in vogue then, the fundholder would have paid only one-half of what he did pay; and shall I be told that, after adopting a construction most unfavourable at the moment to the fundholder, and after taxing him, and taxing him chiefly at the rate of ten per cent., on the full value of his income for 17 years, when he could only have got 16 years' purchase for his property in the market, England and the English Parliament will now turn round upon that man in the manner suggested, at a time when, owing mainly to the general confidence in your strict good faith towards the public creditor, the value of his property has risen to 33 years' purchase? If you now determine that the capitalized value of the fundholder's income ought to be taxed, I say that you inflicted the grossest wrong upon him in the time of the war. When he at that time consented to pay 10 per cent. upon the value of his income, he had confidence that peace would be restored, that his income would become more valuable, that faith would be observed with him—I mean faith according to the common principles of equity and justice—and that no advantage would be taken of that rise in value. But if the British Parliament sets the example of establishing in time of war, when loans are constantly asked for, and when funds are low, the doctrine that you have nothing to do with capitalized income, and then in time of peace, when the funds are high, sets up the opposite doctrine, I will not merely say that the character of this nation will not stand as in the time of your fathers it has stood, but I warn you that you must abandon from henceforth the idea of taking the lead among all the borrowers of the world, and that you must prepare for a vital change in your relations with those who have hitherto trusted you.

Again, there are persons who say, "We ought to tax

incomes at different rates, according as they proceed from property, or from skill." In fact, they would place industrious incomes on the one side, and lazy incomes on the other. Now, in my opinion, a great deal may be said in favour of that doctrine, but observe the effect it must have with regard to the public creditor. The landholder must exert himself with respect to his land, the householder as to his house; and the mortgagee must either look out himself, or pay his lawyer for looking out, to ascertain the safety of the investment proposed for his money; and I do not believe there is any income which is perfectly and entirely a lazy income, except the income of the fundholder.

If that were so, the fundholder would enjoy an entire pre-eminence in taxation, and the degree of that pre-eminence it would rest with you to fix. I honour the sense of justice of my hon. friend the member for Montrose, and so I honour the sense of justice of those gentlemen—the actuaries—who have recommended the fundamental re-construction of this tax, and who do fairly adopt and abide by the durability of incomes as their rule. If they had made their proposals in 1798, I do not know that the fundholders would have had much reason to complain; nay, on the contrary, I believe that, upon the whole, they would have been gainers. I think, however, that the proposal of the actuaries is unsound in principle. I conceive that it is unsound in principle to levy the revenue of the country in substance by a tax upon its property, for I think that income is, in the main, the proper basis of taxation. I do not mean, however, to push that doctrine to extremes: and I undoubtedly should say, if we have a property-tax at all in substitution for the income-tax, let us have a good and honest property-tax, such as the actuaries propose. Unfortunately, these

gentlemen have the plan which they recommend entirely to themselves; for no one has ever been found to propose it in this House, or, as far as I know, elsewhere. In fact, nobody will propose that plan, for every one knows it is a mathematical speculation put upon paper; but not a project to be submitted to an assembly of men, whose bounden duty it is to provide by practicable means for the constantly recurring wants and services of the country.

The project of the actuaries, then, I pass by; because, while it is of all the plans of income-tax reform the most self-consistent, it is also, I will not say the most impossible (for that would be a solecism), but it is placed the furthest beyond the reach even of imagination as a possible, or as a feasible measure.

Now, I will request the Committee to go yet further with me into the consideration of one more point with regard to the Funds, which I take to be highly practical in its character, and which I beg to commend to their particular attention. I have used every means in my power to analyse the manner in which the Funds are held. It is, however, a matter of great difficulty. In old times there was a very general belief in the appearances of hobgoblins; and now throughout the country you may here and there find those who have a somewhat analogous conception of an awful being they call the Fundholder, whom they picture to their imaginations as an iron-hearted creature, rolling in wealth, and living in worthless indolence upon the toil and sweat of his countrymen; but it is very difficult to find out whether the existence of this monster is a fact or a fiction.

I cannot obtain a complete analysis of the manner in which the Funds are held. The State, as we know, has no information upon the subject. The Bank of Eng-

land, which pays the dividends, knows only one circumstance, and that is, whether the dividend is paid to a joint account or a sole account. Now, a very remarkable change has been taking place of late years in the manner in which the Funds are held. About fifteen years ago the Funds were chiefly held in sole accounts by individuals: and I think you may, upon the whole, take it nearly for granted that the sole accounts indicate—but I speak in the presence of practical authorities, who can correct me if I mislead you—absolute property; at any rate, with some few exceptions. So lately, then, as fifteen years ago, much more than one-half of the stocks were held in sole accounts, and therefore represented absolute property; but mark the change that has taken place. At present, the case is reversed. The whole amount of stock held in sole accounts is at the present moment 280,000,000*l.*: and out of that amount about 60,000,000*l.* represents the incomes of persons who are exempt from the income-tax by reason of possessing incomes under 150*l.* a-year. There is, therefore, a sum of about 220,000,000*l.* held by persons who may be considered as holding perpetuities in the Funds, and whom the reformers of the income-tax would regard as entitled to the distinction of pre-eminent taxation under that tax. Now, the amount held in joint accounts was, in February, 1852, 427,000,000*l.*, and I have no doubt that it is at this time much more. One-third of the Funds, upon the whole, so far as they have been taxable by law since 1842, are now held in sole accounts, and two-thirds in joint accounts.

Now, what do these joint accounts mean? I will tell you very nearly what they mean. These joint accounts may be divided, I believe, into five classes, one or other of which may be taken as comprehending very nearly the whole. In the first place, the joint accounts include

a large class of charities, and among them I reckon the great account of the Commissioners of the National Debt for savings-banks, amounting to 33,000,000*l.* These sums are all by law exempt from income-tax. Then, in the second place, we have the Chancery and Bankruptcy accounts, amounting to between 50,000,000*l.* and 60,000,000*l.* I don't imagine that it is the desire of this Committee or of the reformers of the income-tax, to lay upon the monies locked up in Chancery and Bankruptcy an exceptional tax. A third class which enters into the joint accounts is made up of those cases in which English firms—particularly banking firms, but other firms also—hold large sums of money on account of foreigners. I imagine that, although Englishmen who have investments in the Funds most commonly hold them in their own names, it is very common for foreigners to have stock held in the names of the banking or mercantile correspondents of houses abroad.

It has been with some a popular doctrine to tax the foreigner; but I think that no person in this House would wish to tax the foreigner in this particular form. It has been a long-contested question with respect to income-tax in England, whether the foreigner is not entitled to exemption altogether. The late Sir R. Peel subjected him to equal taxation in 1842, but even that proposal was strongly resisted; and I am persuaded every member of this House will agree, that it would be very impolitic to lay an exceptional tax of this kind upon the foreigner.

The fourth class interested in joint accounts, and a very large class too, is the class indicated by life interests less than perpetuity. When Mr. Horsman made a proposal with reference to the income-tax in 1848, one of his main arguments was founded on the

absurdity of taxing life interests at the same rate at which perpetuities are taxed. Of late the income-tax reformers have had much less compassion for the life-interest men, and few of them have seemed to regard their case at all. My opinion is, that, should the income-tax be reconstructed, it would be very difficult to shut out the class having life interests from the benefit of a reduced rate when once the distinction of rate had been introduced; but surely it would be intolerable, and no one could even propose, to raise the tax upon the Funds, as far as regards that large portion of holders who have a mere life interest.

The fifth class interested in joint accounts consists of trading companies and associations holding funded property. Now, are you to lay an exceptional tax upon the capital of persons thus engaged in trade? I should say that it is very much better to leave English trade where it is, paying 7*d.* in the pound, in the place of the 9*d.* paid by land and houses, and with the power of investing money in the Funds when it is convenient for purposes of banking, or for other trades, without the fear of exceptional taxation, than to break up the whole system, and sconce the trader in Schedule C, that you may reimburse him by exceptions in Schedule D. Thus then, Sir, the strongest case urged for the reconstruction of the tax is the case of Schedule C; but in Schedule C, against 220,000,000*l.* held by persons in their own right, you have 430,000,000*l.* not held by persons in their own right as mere individual property; and when you have established your exceptional tax against the Funds, your very next step must be to exempt the whole of this 430,000,000*l.* Well, Sir, that is the sum of what I have to say upon Schedule C.

I shall now touch very briefly upon the remaining case of Schedule D; that is to say, of Schedule D as

respects the Professions. I have made it my business, Sir, to ascertain what proportion of the whole payment under Schedule D proceeds from professional persons; and I have found that, including certain amphibious classes, it is about 300,000*l.*, or rather more than one-twentieth part of the whole income-tax; but there are several persons who are returned as professional persons who, for the purpose of a new classification of the income-tax, must be considered as traders, such as auctioneers, house-agents, and army-agents. The country surgeon frequently combines with his profession the trade and capital of a druggist and apothecary. Solicitors, again, in many places, are, to no small extent, considerable capitalists; their capital is invested in their trade, and the income-tax must be paid upon it as it would upon capital invested in any other trade. Taking out these mixed cases, the net sum, that may be said to be paid by the Professions, is about 250,000*l.*, which is about one-twenty-second part of the whole income-tax.

I do not at all deny that the case of professional men appeals to our sympathies. In my opinion, it is one of the reasons which indicate that the tax ought to be a temporary tax; but I hope the Committee will pause before it rushes to the conclusion that upon account of the case of professional men—for I think I have in some degree disposed of the other cases—they will proceed to such a labour,—I will not call it an Herculean labour, because an Herculean labour means a labour that Hercules could accomplish, and this I am persuaded he could not; but to such a labour, as that of breaking up and reconstructing the income-tax.

It would be a pity to find yourselves compelled to break up the income-tax on account of those whose case is so limited, in comparison with the whole range of the

tax, that they only pay one-twenty-second part of the amount. But then you may say, "Why not exempt them altogether; if they form so limited a part of the whole body of tax-payers, why not give them a favour?" And there is a great deal in point of feeling to recommend that course; but there is a great deal in point of feeling to recommend many things in this world of ours, upon examination of which you find insuperable obstacles in the way of your giving scope to that feeling.

I will tell you why you cannot exempt professional incomes without breaking up the whole scheme of the tax. In the first place, there are the auctioneers, house-agents, land-agents, and others I have referred to, now nestling within the class of the professions, and whom you would have to dislodge from that class, but with each of whom there would be considerable difficulty if there were an attempt to exclude them from benefits to which persons in the position of professional men were to be entitled.

Again, you would have great difficulty in knowing what to do with the clergy. Your feeling would tend with equal force both ways. You would think it extremely offensive to reconstruct the income-tax on behalf of professional men, and yet to make the clergyman with 150*l.* or 200*l.* a-year pay the higher rate. But if you let him into the favoured category, I am not so sure that you would be pleased to extend the same favour to the dean and the bishop. You would find extreme difficulty there; but there are other and more serious difficulties than these.

Some persons holding salaried offices, not strictly public servants, but now charged in Schedule D, have certainly a much worse tenure and a less durable interest in their incomes, than very many professional men. Above all, there is what I warned you of in

respect to averaging the supposed value of the incomes of men in classes. A large number of retail traders have an interest in their trades much inferior to that of professional men. Their shops, and trades, and businesses change hands much quicker. They are creatures of to-day, gone to-morrow; and of professional men as a class, putting aside the exceptional case of sickness, a large part represent permanence itself compared with a certain, and that a very numerous, portion of the smaller class of traders.

I must warn the Committee, likewise, that they will find the greatest difficulty when they come to consider, in the midst of this process of breaking up the income-tax, the case of the life annuitants. Let me for a moment put it to you to consider who these people are. Professional persons, at all events, are men, are beings charged by the Almighty with the care of wives and children, and, generally, endowed with a capacity to discharge that duty. But when you come to life annuitants, you then deal with the desolate widow, with the orphan daughter; with defenceless woman, whose right it is to expect at your hands justice, nay, something of tenderness and of protection. Are their incomes precarious, or are they not? I will take some lady who has been bred in the lap of boundless luxury, and who soon, upon the death of her parent, finds herself with the interest of 5000*l.* or 6000*l.* to live upon for the remainder of her days. I want to know whether that income is or is not to be subjected to the higher tax as an income from realized property? And will you then tell me that upon the daughter and the widow you will lay that exceptional tax, and yet talk of doing justice, because you put the higher tax upon them, in order that you may put a lower tax upon your bankers and brewers, and upon your physicians and lawyers? I make my appeal

to you as men upon this point. I am convinced, whether the views of the present Government be right or wrong, whether our propositions meet your approbation or whether they do not, that you never will consent to draw that distinction in favour of the great and energetic commerce of this country, and against the piti-ances, much smaller commonly than those which I have mentioned, on which the great portion of these women must subsist.

Sir, the unparalleled indulgence of the Committee has brought me nearly to the close of this portion of the subject, and there is but one more point in connexion with it to which I need refer. It is commonly supposed that it is either some crotchet of an individual, or the general laziness and inattention of official persons to their duties, that prevents them from giving effect to the wishes which many gentlemen laudably entertain, to see these inequalities of the income-tax, which I do not deny, removed by a reconstruction. But I will point out the kind of difficulty in which you find yourselves involved when you set about that work; for I can truly and fairly say,—and I think if I do not command credit for it as an individual, yet that the characters of my colleagues will demand full credit for the assertion on their behalf,—I can truly and fairly say, that it has been our most earnest desire, if we could with justice have attained that object, to consult the public feeling in regard to the proposition which we might have to make about the income-tax.

We have, therefore, studiously and laboriously turned over the question again and again, and we have put it, I believe, in every light in which it is capable of being viewed. And now I will just give you a specimen of the way in which, when you set about a reconstruction of this tax, you find yourselves involved. I will sup-

pose that, if the income-tax be differentiated, you will extend the favour to what are called the terminable annuities. The terminable annuities expire in 1860, and they have always been thought to afford the most favourable case—the case commonly selected for argument by way of illustration—for those who wish to break up the present income-tax. Of course, they will get the benefit of the change. They are worth so many years' purchase, and no more; and you can tell exactly how much of the annuity in each half-yearly payment represents interest, and how much represents capital. You commence, then, by exempting the terminable annuitants. Is that all? By no means. What do you do with Government life annuitants? Must you not exempt them also? Is not their case substantially the same with the others? A man lays out money on an annuity for his life. Although the term of his life is uncertain, such an annuity has just as fixed a price in London, as an annuity for the expiry of which you fix the date. On the same principle, therefore, you must exempt the Government life annuitants, as you have exempted the terminable annuitants. But, if you do that, you cannot think of anything so monstrous as taxing other interests for life, or for a term perhaps less than life upon leasehold properties. How will you be able to tax a man who has, suppose, a lease on which he has paid a heavy fine, and of which there is a term of five or ten years unexpired? The great bulk of the interest in the property is not his, but the landlord's, the reversioner's; and you must evidently give to the holder of such a lease, therefore, a share of the proposed exemption. Then I must again remind you of the class holding life interests in the Funds. You can't draw a distinction between life interests in the Funds, and life interests in leaseholds. They too

must help to swell the goodly company of exemptions. After them come those who hold jointures and other annuities upon land. Certainly, a life annuity in the Funds is in form one thing, and a life annuity upon land is another; but the life interest of the individual is alike in both cases, and the security about equal. When you have thus included all life annuitants, what will you do with life renters, with the possessors of entailed estates, to which the successor may be a second cousin, living in the East Indies, whom his predecessor may never have seen, and in whom he has no interest? This process of detail may, I fear, be tedious to the Committee, but the questions with which I am dealing are in the strictest sense practical questions. They are a small sample of the practical questions, every one of which must be faced, if we are to reform the income-tax in the manner proposed. I do not say that there are no distinctions between these different parties. There are, it may be, certain distinctions between each of the cases. But what I say is this, that when you come to define those distinctions, and to try to make them the broad ground upon which you are to take your stand, and to say, "Here you will be exempt—there you shall pay the exceptional rate of tax," there is not one of the classes I have mentioned, with respect to which you will find it possible to fix it as the limit of the intended operation.

The real tendency of all these exemptions, however, is the breaking up and destruction of the tax. I do not say the "relinquishment," because relinquishment is one thing, and breaking up is another. Relinquish it for a time, and when emergencies arrive you may do as your fathers did—take down the weapon from the shelf, and make it serve you again for the ends of honour and of duty. To relinquish it is altogether safe,

because it is altogether honourable. But to break it up is to encourage the House of Commons to venture upon schemes which may look well on paper, and may serve the purpose of the moment, yet which will end in the destruction of the tax by the absurdities and by the iniquities which they involve. Sir, if that is to be done, it must be done by those whose convictions enable them to take a different view from ours of the character and of the destiny of this great country. It will not be done by us, by men who believe, that although you may enter upon that fatal and seductive path, it will lead you into quagmire, will throw the whole finance of the empire into confusion, and may finally deprive you of that ready and effective resource, to which hitherto you have been able in all times to look as an effectual resort open to you for circumstances of difficulty and trouble.

Sir, the general views of Her Majesty's Government with respect to the income-tax are these: that it is an engine of gigantic power for great national purposes; but at the same time that there are circumstances attending its operation which make it difficult, perhaps impossible, at any rate, in our opinion not desirable, to maintain it as a portion of the permanent and ordinary finance of the country. The public feeling of its inequality is a fact most important in itself. The inquisition it entails is a most serious disadvantage. And the frauds, to which it leads, are an evil such as it is not possible to characterize in terms too strong.

One thing I hope this House will never do, and that is, to nibble at this great question of State policy. Don't let them adopt the plan of reconstructing the income-tax to-day, and saying, "If that does not work well, we'll try our hands at it again to-morrow." That is not the way in which the relations of classes, brought into the nicest competition one with another under a scheme of direct

taxation, are to be treated. Depend upon it, when you come to close quarters with this subject, when you come to measure and test the respective relations of intelligence, and labour, and property, in all their myriad and complex forms, and when you come to represent those relations in arithmetical results, you are undertaking an operation of which I should say that it is beyond the power of man to conduct it with satisfaction, but at any rate, it is an operation to which you ought not constantly to recur; for if, as my noble friend once said, with universal applause, this country cannot bear a revolution once a-year, I will venture to say in like manner that it cannot bear once a-year a reconstruction of the income-tax.

Whatever you do in regard to the income-tax, you must be bold, you must be intelligible, you must be decisive. You must not palter with it. If you do, I have striven at least to point out as well as my feeble powers will permit, the almost desecration I would say of your high office, certainly the gross breach of duty to your country, of which you will be guilty, in thus putting to hazard perhaps the most potent and effective among all its material resources. I believe it to be of vital importance, whether you keep this tax or whether you part with it, that you either should keep it or should leave it, in a state in which it will be fit for service on an emergency; and this it will be impossible to do, if you break up the basis of your income-tax.

But then you will ask me, "On what principle do you mean to proceed?—you have made an argument, so far as you have gone, to show that the tax cannot be reconstructed and cannot be amended; what will you do with it?"

What we wish to do, and what we shall aim at doing by the measure which I shall propose, is this:—We

wish, in the first place, to put an end to the prevailing uncertainty respecting the income-tax. We think it unfortunate that political circumstances have for the last two or three years led to a state of doubt in regard to the continuance of the tax, and have even begotten by degrees a feeling on the part of the public, that the country is about to be entrapped unawares into its perpetuation. My belief is, that much of the uneasy feeling which prevails is traceable to that source ; and I am very far from thinking that our merely asking of the Committee to renew this tax for a given term, in lieu of asking you to make it perpetual, would be sufficient to allay that anxiety, or to remove that doubt from the public mind.

There is a certain class of transactions with regard to which the uncertainty about the income-tax operates most unfavourably ; such, for example, as the terminable annuities. It is very desirable that certainty should be restored on account of these transactions ; but it is also requisite on grounds more enlarged and general.

I think it most desirable, that effectual measures should be taken to mark this tax as a temporary tax. By this I do not mean merely, or chiefly, that I would commit the Government to any abstract opinion to be acted upon in future years. My own opinion is decidedly against the perpetuity of the tax as a permanent ordinary portion of our finances. But while I state the wish of the Government to propose it as a temporary tax, I do not ask you to rely on their words to bind them or yourselves, irrespectively of what may occur in the interim, as to what you will do under all circumstances at the expiration of the term which we propose to fix for its continuance now. I simply propose by positive enactment, by the measures which I shall invite you to adopt, to lay the ground for placing Parliament in

such a position, that at a given period it may, if it shall think fit, part with that tax.

Besides fixing on the tax a temporary character, we are most anxious to do what can be done, in order to meet the public feeling as to the inequality of the tax. For that public feeling we have not only respect, but sympathy; while we do not admit that it is our duty, as persons charged with the conduct of public affairs, to shape our measures according to any feeling or sentiment whatever, until we have examined the practical form which they are to take, and tried it in the best light of our understanding. We propose, Sir, to introduce certain mitigations into the operation of the income-tax. We propose to extend the principle of commutations, which is now applicable only to trades, to professions also. A more important mitigation which we propose to make is this. There is a general feeling that a man ought to have, at any rate, the opportunity of investing the savings he may make from his income without being liable to the income-tax upon them. We do not think it possible to make provisions of that kind applicable to savings simply as such. All we can do is to say, "If you choose to invest your savings in the form of a deferred annuity or a life assurance, the premium which you may pay upon that deferred annuity or life assurance, up to one-seventh of your income, shall not be chargeable for income-tax, but may be deducted from your share of income-tax before it is levied." I am not at all prepared to say that we should stop at that point, if it were possible with safety to do more. At the same time, this plan has considerable recommendations. I do not say that it will completely meet the case of persons who, being afflicted with sickness, cannot, except under peculiar circumstances, insure their lives, because, un-

fortunately, cases of that sort are cases which it is beyond the power of the legislature to meet. But what I do say is this; that it is a relief which will admit of very extensive application. I cannot reckon that the reduction from the receipts of the tax in consequence of it will be less—though, of course, this is a matter of uncertainty—when we look to the total amount of life assurance in this country, than 120,000*l.* a-year. It establishes, however, no invidious distinctions between one class and another. It is open to all those, who may choose to avail themselves of it; but while it is open to them all, we know that practically the classes, who are in the habit of insuring their lives, are just those very classes whom it is your main object to relieve by the reconstruction of the tax—namely, the classes of professional men, and of other persons who are dependent upon their own exertions.

I think it may be necessary, in conjunction with the proposal I have just named, to propose that the Government should itself become an insurer of life. If it is to undertake that charge, as will probably be the case, it will insure lives on the same principles as those, on which it is now a vendor of life annuities.

But while I say that our object is to meet the public feeling as to the inequality of the tax, and while I specify these modes of going some way to effect that object, I have more to lay before you upon this subject. And pray understand me. Do not let me through my neglect be misapprehended, or fail to state clearly the position of the Government. What we understand to be the sentiment of the country, and what we ourselves, as a matter of feeling, are disposed to defer to, and to share in, is, that, under our present financial arrangements, the income-tax bears upon the whole too hard upon intelligence and skill, and not hard enough upon

property as compared with intelligence and skill. This, I say, is the sentiment which, with whatever varieties of form, has been expressed through various organs, and has awakened an echo in the public mind. I hope that I here state with accuracy, not as yet the precise measures that we propose, but the object which the reconstructors of the income-tax have in view. Well, if such be their object—if they think that at present skill and intelligence are too severely pressed, and that property under the income-tax pays too little, let me remind them that they must not form their judgment of the relative position of classes from one single tax or from another single tax, but that they must look to the general effect of the whole system of taxation. And all I implore of them in that respect at this moment is, that they will reserve their decision upon the question whether the Government proposition sufficiently meets the case of skill and intelligence as compared with property, until they shall have heard me throughout; if indeed their kindness will permit them still to extend to me their patience.

Our proposition, then, so far as it merely regards the income-tax, is this. We propose to renew it for two years from April, 1853, at the rate of 7*d.* in the pound. The Committee will recollect, that I said we thought it our duty to look the whole breadth of this difficulty in the face: not to endeavour to escape it, not to endeavour to attenuate, or to understate it, but to face and to settle, if the Committee would enable us, the whole question of the income-tax. We propose, then, to re-enact it for two years, from April, 1853, to April, 1855, at the rate of 7*d.* in the pound. From April, 1855, to enact it for two more years at 6*d.* in the pound; and then, for three years more—I cannot wonder at the smile which I perceive that my words

provoke—for three more years—from April, 1857, at 5*d.* Under this proposal, on the 5th of April, 1860, the income-tax will by law expire.

Sir, we think it far better, far more in accordance with our own obligations, and far more likely to advance the interests of the country, that we should present to you what we think—and I will tell you why we think so by and by—to be a real substantive plan, under which the income-tax may at a given period, if Parliament shall so think fit, be got rid of, than that we should come to you with some paltry proposal to shirk the difficulty by simply re-enacting it for two years, or re-enacting it for one year, and thereby prolonging the public uncertainty and dissatisfaction, and giving rise not only to doubts as to the position of the tax, but even as to the perfect good faith of Parliament in its mode of dealing with the country. Now, Sir, we think that the descending rates, which we have embodied in the proposal for the renewal of the tax will tend to show to Parliament and to the country that our intention to part with it, or rather our intention to prepare for putting Parliament in 1860 in a condition to part with it, is at all events a real and a *bonâ fide* intention.

But you will say, and say justly, that that intention does not of itself put Parliament in a condition to part with the tax; that it is very well to say that it shall, for two years, remain at 7*d.* in the pound, that for two years more it shall be 6*d.*, and then for three years more it shall be 5*d.*; but that when it comes to 5*d.* you may find that there is still a deficiency, and that you again want the 7*d.*, or that when you come to the end of the period with the rate of 5*d.* in the pound, you may find you cannot part with it. With respect to this objection I have to say, that before the close of my present statement I shall endeavour to give you full

satisfaction on that point ; and I will further venture to say that, whatever you may think in other respects of the plan I have to propose, no gentleman in the Committee shall leave his place to-night with the opinion that the Government are paltering with the House of Commons, or that I am not presenting a proposal which is at any rate substantive and intelligible.

I say, Sir, that our principles, with respect to the income-tax—which is the corner-stone of our whole financial plan—our principles with respect to the income-tax required of us three things. In the first place, to mark it effectually as a temporary tax. In the second place, to meet, in a way which we think good and sufficient, the public feeling with respect to the inequality of the tax ; and I will very shortly explain how we mean to attain this end. But, beyond this, I wish thirdly to ask—and this is the important question to which I seek to draw the attention of Parliament—if you determine to renew the income-tax, will you make its early extinction your first and sole object, or will you, in order to bring to completion the noble work of commercial reform which is so far advanced, once more associate the income-tax with a remission of duties, extensive in itself and beneficial to the community ? We have considered fully these two alternatives ; and we have decided deliberately in favour of the second.

While we propose to renew the income-tax, we also propose to associate it, during the years which it has still to run, with a great and beneficial remission of taxes. But it will occur to those who hear me, that the statement which I have already made with respect to the surplus, is one not altogether promising in this respect. He would be an ingenious minister of finance who should found an extensive remission of taxation on a surplus of 800,000*l.*, 200,000*l.* or 300,000*l.* of which

he regards as accidental or uncertain. If we are to propose a remission of taxes, we must have funds out of which to make the remission. This is, of course, an elementary truth, but I am sorry to say that it may not be wholly needless to impress it upon any deliberative and representative assembly.

We have, therefore, to consider—and this, Sir, is the most invidious of all the portions of my task, upon which I am now about to enter—we have now to consider what are the means open to us, in consistency with justice, for creating a fund which, in conjunction with our present limited surplus, we can apply to an extensive and beneficial remission of taxes.

Now, the first question which is raised is this—if the income-tax is to be continued, shall it also be in any respect extended? And the view of the Government is this; that the late Administration were right in stating that, if the income-tax was to be continued, the exemptions under it should be narrowly considered. Therefore we are prepared to deal with the question of these exemptions.

What, in the first place, let me ask, is the case of persons enjoying incomes immediately below 150*l.* per annum? There may be those who will say, that it is dangerous to attempt to levy the income-tax on incomes below 150*l.* But it is my opinion that the safety of that measure depends in a great degree—I may say mainly—on its justice; and if we can show that it is required by justice to other classes, and that it would be advantageous to the country, nay even, upon a just view of the whole case, to the parties themselves who would be immediately affected by it, I am not afraid, with the confidence I entertain in the character of the English people, that there would be any danger attaching to such a measure. There were apprehensions, we know,

entertained in 1842, that the imposition of the income-tax in any shape would be found unpopular ; but the sense of justice and the enlightened prudence of the people, appreciating as they did the great benefit achieved by its instrumentality, divested it, if not of the unpopularity, certainly of the odious character, which it was thought might generally have attached to it.

Well, now, what is the case of persons enjoying incomes below 150l. ? It is well known, that persons of that class have very largely benefited by the measures consequent on the income-tax up to the present time. Twelve millions of taxes have been remitted ; and they have enjoyed their full share of the benefit of this great relief, without the charge of one farthing. I shall not propose that we should carry the tax down to the regions, where it would trench extensively on the wages of labour. In my view, it is a right and expedient principle—taking it in connexion with all the circumstances of the case—that we should not as a rule trench upon what I would call the territory of labour. That territory will probably be defined sufficiently for my purpose by the figure of 100l. a-year ; and what I am saying now has reference to the case of incomes between 100l. and 150l. Their case is, that they have enjoyed up to the present time, equally with other classes, the full benefit of the remission of the 12,000,000l. of taxes to which I have referred. But that is not all. If we were going to continue the income-tax for a short period without any compensating advantage, then, indeed, it might not be expedient that I should ask you to exact as it were a retrospective payment by extending it to a lower amount than it at present touches ; but I am going, before I conclude, to ask you to support the Government in enacting a great and beneficial remission of taxes ; and I say, before you confer that great additional benefit, let us consider how far the

results of our plan can be distributed equitably among the various classes of the community.

I will present to the Committee what I think they will consider some interesting results, with respect to the past operation of our recent legislative remissions. With a view to the decision of the question which I am now opening, it appeared to me a matter of extreme interest to collect a number of *bonâ fide* cases of the distribution of the expenditure of particular families receiving different rates of income, so as to mark the proportions in which they had each profited by the adoption of the income-tax, and of the measures connected with it. My right hon. friend, the head of the Poor-law Board (Mr. Baines), has kindly lent me his able and effective aid; and I have thus been enabled to collect a body of trustworthy information of the nature which I am now about to present to the Committee.

I shall not trouble you with the details; but shall merely give the general results of a few *bonâ fide* cases of actual expenditure (and I believe they are fair average cases), which will exhibit the actual savings which have been realized by persons whose incomes are below 150*l.*, and also by those whose incomes are above 150*l.*, in consequence of the adoption of the income-tax, and of that remission of taxes, and of those changes in our commercial system, which were brought about through its medium. But it should be recollected that, in estimating the savings, I have taken credit for the further remissions which I am about to propose, as well as for those which have already taken place.

I have collected six cases of incomes, varying from 175*l.* to 400*l.* a-year; and, after taking credit at moderate rates for the principal part of the savings which have accrued to them by our commercial legislation, and carefully setting down the various items which go to

make up their incomes, I find that the six gross incomes amount to 1359*l.*, and the gross savings upon their expenditure to 63*l.* 1*s.* 3*d.*, making a relief of more than four and a half per cent. upon the gross amount of the incomes; and even if you deduct the income-tax which they have had to pay, there will still remain a saving of 22*l.* 16*s.* 6½*d.*, or nearly two per cent. upon the incomes. This, I think, is not an unsatisfactory result which I have now presented to the Committee.

But I have likewise in my hand four cases of the actual expenditure of persons with incomes between 100*l.* and 150*l.*, and these, the Committee should understand, are not cases which have been selected for the purpose of arriving at a particular result, but are cases which have been fairly and honestly collected for the purpose of showing the actual distribution of expenditure of the two classes to which I have referred. One is the case of a country tradesman with 120*l.* per annum; the second is the case of a retired Liverpool tradesman (having six children) with 120*l.* per annum; the third is the case of a widow in the country, with an income between 120*l.* and 150*l.* (say 135*l.* per annum); while the fourth is the case of a clerk in a country town, with 100*l.* per annum; making a total income of 475*l.* Now their gain stands at 29*l.* 6*s.* 11*d.*, or between six and seven per cent. Deducting income-tax at the rate of 5*d.* in the pound, the savings would still amount to 19*l.* 9*s.*, or more than four per cent. So that you see clearly from these instances, if, as I believe they are, fair samples of the whole, that the persons with incomes between 100*l.* and 150*l.* have profited by the changes in our legislation to a considerably greater extent than those with incomes above 150*l.*

I ought to say that, in estimating the savings, I have endeavoured to keep strictly within the bounds of mode-

ration, and that I have no doubt that the results could easily have been magnified, if that had been the object. Now, Sir, it appears to us that these facts offer a rather strong reason for considering whether, when we propose to renew the income-tax in the case of persons with incomes above 150*l.*, it is not demanded by justice that we should expect that persons with incomes below 150*l.* should, to some reasonable extent, become sharers in the burden. Her Majesty's Government think that in justice we ought to make this demand upon them.

What we propose is this; we propose so far to complicate the tax, for the sake of a great public object, as to introduce a provision that incomes between 100*l.* and 150*l.* shall be liable at the rate of 5*d.* in the pound for the whole time during which the tax is levied, so that, for the first two years, incomes above 150*l.* will pay 7*d.* in the pound, and incomes below 150*l.* 5*d.*; for the next two years, the one will pay 6*d.* and the other 5*d.*, and for the following three years both classes will alike pay at the rate of 5*d.* in the pound. I estimate that this tax of 5*d.* on incomes from 100*l.* to 150*l.* will produce 250,000*l.*; but as it will not be levied till the latter half of the current financial year, the sum of 125,000*l.* only will come to credit in the financial year 1853-54.

I now come to another great exemption—the exemption of Ireland. Ireland, in like manner with the possessors of the lower incomes in England, has received the benefit of the income-tax through the changes in our fiscal system, but at the same time the equivalent which was intended to be taken from that country has not been exacted. That equivalent, as proposed in 1842, was twofold. In the first place, it consisted of a duty upon spirits of 1*s.* a gallon, which was abandoned almost as soon as it was enacted. In the second place, it consisted of an augmentation of the stamp duties—

which augmentation was indeed levied for some years ; but in 1850 my right hon. friend, the President of the Board of Control (Sir C. Wood), made a great reduction in the stamp duties both of this country and of Ireland, and in that reduction disappeared the increase which was enacted in Ireland as an equivalent for the income-tax. I am not able to speak with absolute precision, but as nearly as we can make out, it would appear that the rate, at which Ireland now pays stamp duties on her transactions, is as nearly as possible, on an average, the same as it was in 1842.

It is indeed true, that since the first enactment of the income-tax, Ireland has been visited with an awful calamity ; and although that scourge has been mercifully withdrawn, yet traces of it still remain in many economical and social forms, and especially in the form of a very heavy and burdensome debt. That debt is but a fraction, indeed, of the generous aid accorded by the Imperial Parliament to the necessities of Ireland at the period of the famine ; but at the same time it cannot be denied that it is a very heavy and enduring burden, not on Ireland generally, but on its most distressed parts. Those, however, who look at Ireland cannot avoid being struck by the fact that all Ireland is not alike—that there are certain districts that do not need to shrink from their full taxation—and which have no reasonable claim or plea to offer for exemption.

Let me remind the Committee what exemption means. It does not mean that we have got a bottomless purse, and that we can dispense exemptions to one man without injuring another ; no, Sir, the exemption of one man means the extra taxation of another, and the exemption of one country means the extra taxation of another. And as this applies to changes in the income-tax generally, so it is true of Ireland relatively to England.

What we think, therefore, is, that the case of Ireland demands very special consideration in connexion with the burdens that have been imposed on her. With respect to this matter I will say more by and by, as a sequel or corollary to the present branch of my subject; but, in the meantime, I have to say that we see no reason why the income-tax should not be levied on Ireland, as she, through the income-tax which Great Britain has borne alone, has received her full proportion of the benefit attending the remission of taxes up to the present time, and as she is likely also to profit largely by the remissions I have to propose to the House. The produce of the income-tax, which will be laid on Ireland under generally the same conditions, and for the same term, as in England and Scotland—the produce of the income-tax in Ireland I estimate at 460,000*l.* a year; but as the tax will not be levied till a time beginning with October next, there will be only 230,000*l.* to come to credit in the financial year 1853-54.

I will now give the Committee an account of the manner in which my estimate stands, as a whole, with respect to the income-tax. The estimated produce of the tax, supposing there be no change in the existing system—is 5,550,000*l.* Deduct life assurances (120,000*l.*), of which one-half only comes to charge this year, viz., 60,000*l.*, there will be left 5,490,000*l.* The extension below 150*l.* we reckon at 125,000*l.*, and the extension to Ireland at 230,000*l.*; making the total for the year 1853-54, according to the proposed plan, 5,845,000*l.*

I now come to another proposal for the augmentation of taxation, to which I invite the special attention of the Committee. It is one of great importance: it involves both economical and social considerations of the highest nature. I have stated to the Committee, that we propose to enlarge our means by new taxation with a view to¹

further beneficial changes in our fiscal system. That is one object we have in view. Another object is—and it is likewise an important object—to meet the public feeling, which we recognise and share, that the operation of the income-tax, taken alone, is severe upon intelligence and skill as compared with property. I frankly own my total inability to meet the feeling which has been excited upon the subject of the income-tax, by any attempt to vary the rate of the tax according to the source of the income; nay more, I think that I should be guilty of a high political offence if I attempted it. But let me now point out to you, that if you are of opinion that intelligence and skill under our present system of taxation pay too much, and property too little, there are means of equalizing the burdens of the two classes, in a manner which would be, on the whole, safe, honourable, and efficacious. ✓

Sir, I refer to the question of the legacy duty; a question which it is perfectly plain cannot long be withheld from the consideration of the House. In my opinion it is a question, of which the earliest settlement will likewise be the best. It requires settlement. The tax is not just as it stands. And how is it unjust? I frankly confess that I have always thought that the view of the case, as stated by the hon. member for Lambeth (Mr. Williams)—who has exerted himself most effectively on this subject—I have always thought that his view, if I may say so without offence, was a most inadequate view of the state of the case. The tax is supposed to favour landed property, which I do not deny; but it also favours other property not having that claim to favour, which landed property and household property might perhaps, to some extent at least, fairly urge as a ground of exemption from taxation of this kind. I am glad to hear the hon. member echoing that sentiment. I wish

to do away with the impression that the question bears on its front the odious aspect of a question of class. It does no such thing. We propose to alter the law, and, subject to conditions which I will state, to extend the legacy duty to all successions whatever.

With respect to the probate duty, at the present moment we do not venture to deal with it. The probate duty itself, I grant you, calls for reform; and, if the Government had had the means of carrying into effect that reform in the present year, it would have been satisfactory to have done so. As it is, we are obliged at present to postpone it; but we hope that in a future and early year it will come under consideration. It is said that the legacy duty is in the nature of a tax upon property. It is a tax upon property; and because it is a tax upon property it opens a way for meeting the views which have been so much favoured by a large portion of this House and by public opinion—namely, that if the income-tax is to bear unequally upon intelligence and skill as compared with property, then that inequality ought to be redressed in some way or other. I think there is a safe mode in which to redress that inequality, and if this is a tax upon property it is, as I shall now try to show, divested of the danger that attends the taxation of property generally.

The greatest mischief of taxes upon property is the liability of a constant recurrence of those struggles of classes which are often associated with them. But in carrying into effect an increase or extension of the legacy duty you have this great advantage, that the liability to pay occurs only within the limitation which the laws of a higher power have ordained; that it only occurs once, on the death of a man; and that no man can die more than once. I may be wrong, but I assure the Committee that it appears to me that this is a most weighty con-

sideration for those, whose duty it is to inquire how they can best neutralise the social dangers incident to all questions connected with the taxation of property. Upon the whole, the question may thus be stated. The present adjustment of this duty cannot be maintained. You find the principle of this tax recognised in our law; you find its operation so limited by the very conditions under which alone it can exist that there is little reason to apprehend the disturbing of a fair settlement of these duties, if once made; and you will, I think, be of opinion, first, that the tax we propose is a fair and right tax to adopt for itself, and next, that it is one which in other respects meets, in the best, safest, and most effective manner, the feeling which is I know prevalent in this House, that the present operation of the income-tax is severe upon intelligence and skill as compared with property.

I propose to retain the present scale of consanguinity, with one change.

[An hon. Member—Oh!]

We cannot go into that matter now, because the emotion of the hon. Member might produce a *duellum* between him and me that would inconveniently cross the course of my general statement, so that we must adjourn the consideration of the subject to another time.

We propose then, Sir, to retain the present scale, but with one material mitigation. Under that scale, relations of affinity are treated as strangers—a son-in-law and a daughter-in-law pay a duty of ten per cent. We propose to place them on the footing of relations by blood.

Our plan is as follows. We propose that the exemption of real property should no longer exist; subject to the conditions I am about to mention. The Government

also propose that the exemption of settled personalty should no longer exist; and as we abolish the exemption, I now come to the question—a most grave one for the Government to consider, and one which they have carefully considered—would it be just that all descriptions of property, personalty and real property, should be charged at the same rate of duty to the legacy duty? Our opinion is that it ought not, and we think that a distinction ought to be taken, but not taken exactly in the same manner as heretofore.

It is obvious, when we regard the burdens upon property in this country, that there is a great mass of taxation that attaches to property which may be roughly called—I do not know whether the term is capable of a strict legal construction, but it will best convey my meaning—rateable property. This phrase includes along with real property a great amount of leasehold, copyhold, and so forth, which is not real property, but which is subject to the burdens of real property; which is subject to taxation by the income-tax; which is subject to the land-tax, though, as a whole, in a somewhat less degree than land itself; which is subject to the excess of charges affecting the transfer of property; and which is subject generally to all the charges that affect visible property as contrasted with invisible property; most especially of all, which is liable to the great weight of local taxation. There is, between these different items, a sum of 14,000,000*l.* or 15,000,000*l.* of taxes in the three kingdoms laid entirely on rateable property, to which not real property only, not land only, but leasehold and copyhold property also are subjected. These last descriptions of property are now struck in both ways; they are subject to the legacy and probate duties, and they are also subject to all the burdens incident to real property.

The Government propose to alter and amend the whole foundation of the law, by striking a new distinction, and by declaring that whatever exemption or partial advantage may be given to real property shall be given, in conjunction with it, to other property which is now subjected to similar special burdens. Moreover, as to personalty, we propose totally to abolish for the purpose of legacy-duty or succession-tax the effect of settlement; so that the person, who succeeds to personal property, will pay according to the true value of his interest. He will pay upon the capital, if he succeeds to the capital; and if he succeeds to a lesser interest, he will pay on the value of that lesser interest. So much for settled personalty. But further; the Government, thinking it just that a less amount shall be taken from rateable property than from property that does not pay these special burdens, have to ask in what way that distinction can best be struck. It has long been the policy of this country—the result, it may be, of measures accidentally taken, but not on that account the less beneficial—that visible and rateable property should be principally taxed in the form of annual charge. Now it would be obviously highly inconsistent, while we leave such property subject to its heavy and peculiar annual burdens, to aggravate them by laying a heavy charge upon capital. For the Government would then force and accelerate by the pressure of fiscal enactments changes in the tenure of this property; and that acceleration would be, in my opinion, not only unjust, but also both cruel, and most mischievous, in a social point of view.

We think that if anything in the nature of a distinction is taken in the legacy duties in favour of rateable property as against other descriptions of property, the fairest mode in the case of an estate would

be found to be this ; that the successor to real and rateable property should be in all cases taxed upon the life interest only, or on a minor interest if he has only a minor interest. It is difficult for me to enter upon a full discussion of all the reasons that have led us to that conclusion. The question is very much connected with the great difficulty of any attempt to ascertain the capital values of real property. Again, as a matter of fact, under the social arrangements of this country, our great estates are usually also settled estates, and only a life interest in them accrues by succession. Leaving this subject, however, for fuller discussion hereafter, it is our opinion that our proposal ought to include all real property for duty, but that some remission ought to be granted to property which is now subject to a great weight of peculiar and exceptional taxation ; and we think that the best mode of framing that provision would be to charge the succession of real and rateable property only upon the life interest of the person succeeding in the net annual income after the deduction of incumbrances.

We propose that the duty should be leviable, as was proposed by Mr. Pitt, in eight half-yearly instalments. In cases where there is a succession to a life interest, our proposal would be that the unpaid residue of the tax should drop in the event of a new succession before the last instalment is payable ; but in the case of a succession in fee the whole will be charged, and if death occurs before the remaining instalment is paid, the duty will become a debt of the Crown against the estate. That is our proposal with regard to a duty on successions.

I now come to the financial results which we anticipate. The produce in the first year will be small. We do not propose to charge the new duty upon any succession anterior to the period when the Committee shall

adopt the Resolution. The law allows twelve months for the payment of the legacy duties, and it will be impossible to fix the first payment of the duty upon rateable property, if the Committee should adopt it, until after at least one of the ordinary periods for the payment of rent. The duty in cases of personalty will come in more quickly ; but I cannot reckon upon a larger receipt from the alteration of the legacy duties for the year 1853-54 than 500,000*l.* over and above the duty now received from this source. In subsequent years the amount will be greatly enlarged. I have no objection, as far as I am able, to state the results of my investigation as to future years, and I think I do not exaggerate when I say that this tax, if it is adopted by the Committee, while it will add 500,000*l.* to the income of the present year 1853-4, will add a further increase of 700,000*l.* to the year 1854-5, 400,000*l.* more to the year 1855-6, and 400,000*l.* more to the year 1856-7, making a total addition to the permanent taxation of the country of not less than 2,000,000*l.* per annum. And this, I must remind the Committee, is a tax which will leave wholly untouched the intelligence and skill of the country. It is a tax that gives the relief, and more than the relief that you aim at by the reconstruction of the income-tax, but does it without the danger which would necessarily attend that reconstruction.

Mr. DISRAELI.—Does that apply to the three kingdoms?

The CHANCELLOR of the EXCHEQUER.—It is a general change of the law as to legacy-duties, and one which takes no cognizance at all of one kingdom or the other. I now pass to another subject.

It has long been considered as a great object of financial policy to effect the equalization of the Spirit Duties between the three countries. This is, however, a very

difficult problem. It may be very doubtful whether it will ever be entirely attained; but such an approximation to it as would stop smuggling might perhaps, at some time, be reached. It is quite plain, that such an equalization cannot be obtained without some reduction of the spirit duties in England. We must lower the English duties at a fitting time to some point, up to which the others may be raised. In the present year we do not propose to make any change in the English spirit duties, for that question is much mixed up with the licensing system, which is now under the consideration of a committee of this House. On account of its connexion with the principle of licensing in populous districts, for the present the question of the English spirit duties must stand over. But the Government are of opinion, after a careful consideration with respect to Scotland, that there is no reason why, in the case of Scotland, there should not be a moderate increase in the duty upon spirits. I believe that an increase of the duty, confined within due bounds, would not be opposed to public opinion, nor unacceptable, in Scotland. An increase on the duty upon home-made spirits would render necessary an adjustment of the duty upon colonial spirits, which I only mention now in passing, in order to obviate misconception, but without going into details.

Our proposal will be, that a duty of 1s. be added to the 3s. 8d. a gallon now charged upon Scotch spirits; allowing the malt drawback to remain as at present. The consumption in Scotland is 7,170,000 gallons. The actual revenue is 1,315,000*l.* The expected revenue is 1,633,000*l.*, which is a gain of 318,000*l.* I may here stop to congratulate a noble Lord opposite (Lord Naas) on having attained a triumph. I ought, in strict propriety, to have reserved this until I came to Ireland,

but the order of my subject has obliged me now to advert to it; and I have to apprise him, that his victory is at length achieved. We propose to save the money of the distiller, and likewise, I may add, the time of this House, by making an allowance for waste upon spirits in bond. That allowance for waste will be in Scotland 40,000*l.*, which will give us as the net increase of revenue from the increase of the duty upon spirits in Scotland a sum of 278,000*l.*

The Government have also anxiously considered this question as it regards Ireland. It is quite plain, I am afraid, that we can in no case stand as we are with regard to the Irish spirit duty; since an allowance for waste upon spirits in bond will entail a diminution of revenue. At present, the spirit duty in Ireland is extremely low in comparison with the duty in the two other countries. When an attempt was made to increase the tax in 1842 by 1*s.* per gallon, it was found most difficult to give effect to the increased duty; and we think it would not even now be safe to propose to levy an additional tax of 1*s.* a gallon upon home-made spirits in Ireland.

But we have looked carefully to the means at our command for enforcing the levy of this tax.

In Ireland there is a revenue police, which has hitherto had the exclusive charge of enforcing this duty. But there is also maintained in that country at the public cost a large force, the constabulary, which has had no share whatever in giving information to those who have been engaged in levying the spirit duties. We contemplate a change in the relation of these two forces. I cannot say whether it will ultimately involve an absorption of the one force into the other, nor shall I now describe in what way it will be done, but the constabulary will, in a manner that

we think will be effective, give their assistance in the levying of the duty upon spirits. We think that, under these circumstances, we may fairly propose an increase of duty of 8*d.* per gallon on Irish spirits,—namely, from 2*s.* 8*d.* to 3*s.* 4*d.*, subject to the deduction of 40,000*l.*, the estimated allowance for waste upon spirits in bond. This will give us a gross gain of 238,000*l.* upon the consumption of Irish spirits; but deducting the allowance for waste of 40,000*l.* we have a net gain of 198,000*l.* That gives, from the two countries of Scotland and Ireland, an increase of 476,000*l.* But it is necessary that I should make an allowance for waste in England, not for the sake of English distillers, but for the sake of Irish and Scotch distillers, with whom it is a great object to bond their spirits here. There will therefore be an allowance of 40,000*l.* for waste in bond in England, which will leave a net gain from the increased duty upon spirits of 436,000*l.* a year.

There is one other very small augmentation of revenue that I propose, and that is, the revenue upon certain classes of Licences. If the Committee examine the present scale of licences, they will see that they are very unequal as between the minor and the greater tradesmen; upon some classes the charge is uniform, as upon grocers and tea-dealers, so that they pay alike whether their rent is to the value of 5*l.* or 500*l.*, and whatever amount of business they may transact. We do not propose to take up the more important questions as to those licences which are connected with the sale of spirits, wine, and beer; but we propose, in regard to the licences of brewers, maltsters, dealers in tea and coffee, manufacturers of and dealers in tobacco, and soap-makers, to rectify the present scale of licences, raising them at the upper end of the scale to a rate bearing some proportion to the value of the premises, or the

amount of business. The gross increase of revenue to arise from licences I take at 113,000*l*.

The whole amount of increased taxes which we propose to levy, and which will come into the accounts of 1853-4, is as follows:—Income-tax, 295,000*l*.; legacy-duty, 500,000*l*.; duty on spirits, 436,000*l*.; licences, 113,000*l*.; these amount to a total of 1,344,000*l*., which, with the anticipated surplus of 807,000*l*., will give a fund of 2,151,000*l*. available for the remission of taxation.

I cannot proceed further without stating more particularly the nature of our intentions with regard to Ireland. The Committee have found that we propose to make the income-tax payable in Ireland for a moderate term, and at a descending rate as in England; and that we propose to levy an increased tax of 8*d*. on spirits in Ireland, which may be a net tax of between 6*d*. and 7*d*. a gallon, after allowing for the waste of spirits in bond. But I have now to refer to that case, which I lately mentioned, of the rent-charge formed by what are termed the Consolidated Annuities. It has been the opinion of the Government that it was impossible for them to arrive at a final decision upon that important subject, without carefully weighing the collateral questions of finance. The annuities represent a capital of 4,500,000*l*. of public money. In dealing with them the Government has deemed itself bound to have regard to the actual situation of Ireland, recovering as it is from a season of the deepest distress, and also to have regard to the harmony of the relations between the two countries; and they have thought they could not arrive at a final decision with respect to the exaction of these annuities, till they had considered the general plan of finance which it might be their duty to recommend, and the bearing of the plan upon Ireland.

They now recommend a measure which, if you adopt

it, as I trust you will, will advance us one great step towards establishing an equalization of taxation between the three countries. It is true that the income-tax is of temporary duration; but you will show by extending it that there is a *bonâ fide* intention, and a rational prospect, of equalizing the taxation. At the same time, it is important that you should consider the great necessities of a portion of that country; and when they are taken fully into view, it will be plain that the disposition of Parliament will be to adopt large and generous measures, and not to consider this as a mere question of money. You will consider this heavy charge; you will consider all that it represents; the recollections of the famine, the peculiar character of that awful visitation, the feelings of Great Britain to Ireland, and of Ireland to Great Britain, and you will feel the advantage of any measure that may seem likely to promote a more kindly tone between the two countries, and to relieve them from the relation of national creditor and debtor in which they now stand.

The Government have determined to make a large proposition. The 4,500,000*l.* of consolidated annuities include 1,500,000*l.* of debt that strictly belongs to the establishment of the Poor-law in Ireland. That was a great social and national good—a great and permanent good to Ireland. But every good to Ireland is also a good to England. The other 3,000,000*l.* consist of debts entirely connected with the famine. A committee of the other House of Parliament have sat on this subject, and they have recommended a remission of 2,000,000*l.* of this taxation. Sir, the plan of the Government, after maturely considering the whole question, is, to propose to Parliament that, as from and after the 29th of last September, the consolidated annuities shall be wholly wiped away. They propose

that the whole sum due from Ireland to England shall be remitted.

In remitting these charges, and in proposing an income-tax upon Ireland, you will grant away an immense sum of money, but you will make a great stride towards that, the advantage of which I hardly know how sufficiently to appreciate—namely, bringing the two countries towards the establishment of the principle of equalized taxation.

On the details of that subject I need only add, because I shall be asked what I mean to do with the arrears, that all arrears in respect to consolidated annuities, due up to the 29th of last September, will be paid just as they would have been paid if the law had continued in force. On the other hand, nothing will be collected which has become due since the 29th of September; and any money which may have been so collected will be returned to those who have paid it, so as to take care that the non-paying classes obtain no advantage over those who have regularly and duly paid their quota of the charge.

Now, Sir, we are inviting you to remit a capital sum, which was originally nearly 4,500,000*l.*, and is still above 4,000,000*l.*; and to remit an annual charge of no less than 245,000*l.* Three-fourths of that annuity would continue for forty years, and one-fourth for various periods of from ten to thirty years.

The taxation we proposed for Ireland would in the first two years be considerably higher than the taxation we propose to remove; but, if we look to the time when, as I have said, Parliament will be in a position to part with the income-tax, Ireland will we hope enjoy, and enjoy for a long term of years, a much larger remission of consolidated annuity than it will have to bear

of additional burden in the shape of the spirit duty under the legislation of this year.

So much for the case of Ireland. And now, Sir, as I have done with that most offensive part of my task, the imposition of taxation, I feel as it is said men are wont to feel—and as some of us without doubt have felt—when they have ended their long upward journey, and reached at length the summit of the Alps. Now I have the downward road before me, and the plains of Italy are in my view.

I come then, Sir, to consider the more agreeable subject of the remission of taxation—that remission of taxation to which, in whatever form, up to this moment, not from obstinacy, and not from petulance, but from a conviction of our public duty, we have thought it right steadily to refuse our assent.

The first remission of taxation I shall propose has reference to the Excise Department. It is impossible to deny that there are great evils connected with the Soap-tax. In the first place, the system of drawbacks upon soap, which is a system incident to the use of the article in our manufactories, entails an immense loss by fraud. In the second place, this is an article of taxation, which is most injurious both to the comfort and to the health of the people. In the third place, this is also an article on which the pressure of the tax is so severe, that, notwithstanding the general wisdom and fairness with which your excise laws are administered, and notwithstanding the drawback you grant on exportation, your productive power is crippled by the tax. You cannot compete with the foreigner; your export trade dwindles day by day; and gentlemen who have come to me to represent the case with respect to soap, gentlemen thoroughly well-informed have stated that, if

you will only take that bold measure with respect to the soap-tax which we shall recommend, over and above the entire rate of duty, the consumer of soap will probably benefit to the extent of no less than twenty-five or thirty per cent. in consequence of the cheapened production. Therefore, if the soap duty be from thirty to forty per cent. upon the value for every penny of duty we ask you to surrender, we feel that we are about to give nearly double that advantage to the consumer, and a great impetus to trade.

There is one other point, to which I cannot but feel that I must advert. The question of the African slave-trade is one, which excites in one respect differences of feeling among us. We have but one sentiment, indeed, with respect to the extinction of the slave-trade, but there is a difference with respect to the measures to be taken for that extinction. Some have thought the means of force, now used, are unavailing; but all agree that the promotion of legitimate commerce would be the most satisfactory, the most effective, and the most desirable of all instruments you can apply. It may be said there is a wide interval between the premises and the conclusion if I say, in order to extinguish the slave-trade repeal the soap-tax. But, at all events, a connexion of ideas more legitimate than this cannot well be imagined. The map would show, how many are the rivers of the coast of Africa; those rivers may for the most part, each of them, become depôts for the trade in palm oil. The quantities you may receive from that source are, it is stated, almost immeasurable. There lie the great materials for a trade which, if you only relieve it from restraint, will show that the energy, the capital, and the intelligence of the country are as well entitled to carry away the prize in this particular industry, as they show themselves to be in so many other trades.

The gross receipt from the soap duty is 1,397,000*l.*; the drawback, 271,000*l.*; the net receipt, 1,126,000*l.*; the cost of collection, 15,000*l.*; the net final loss, 1,111,000*l.* And, with reference to the general necessity for fixing a time beforehand to commence the remission of duties of Excise, the most convenient time for this purpose in regard to the soap duty is the 5th of July. But there will also be conceded to the manufacturer a power of keeping his soap in bond until that date, if he shall think fit to do so. There is already a sum due with reference to the quarter just expired, of 140,000*l.*, and before the present quarter is out probably 200,000*l.* will be due on these accounts. We have, accordingly, to credit this year with the sum of 340,000*l.*; and the net loss for the year will not exceed 771,000*l.*

I come next to the revision of the Stamp Duties. It is not possible for the Government, with such means as are at their service, to deal with all the articles they would wish. There are articles, such as the stamps on fire insurance and marine insurance, on which they would gladly, if they could, grant remissions of taxation. But they have made the best choice in their power with the limited fund at their disposal.

One subject that naturally presented itself to them, both in connexion with the income-tax, and likewise as bearing directly the character of a tax on prudence, and bearing it especially as against the poorer classes, is the present tax on Life Assurance. It bears very heavily on the poorer classes, though it may not be severe in itself. At present it amounts to half-a-crown per cent. We propose to reduce it from 2*s.* 6*d.* to 6*d.* The produce is 40,000*l.*—the immediate loss, or amount of relief gained, will be 29,000*l.*

We propose next to deal with an article which in its present state is most unsatisfactory, and that is the

article of Stamps on Receipts. This is a duty which does not grow as it ought with the transactions of the country, a duty which is habitually and generally evaded, and a duty which, I must also say, entails very considerable inconvenience. It is not the mere question of charge that measures the burden and annoyance of a tax, but the necessity of dealing in particular papers, stamped with particular amounts, which you have to send for and obtain as occasion requires, with trouble and loss of time; these, taken singly, are little things, but all of them enter very much into the question of inconvenience, and create just objection to the tax. What we propose is, to make an entire change; and to adopt a system analogous to the system found so convenient for the public with reference to postage—namely, that of penny stamps. We propose by a penny stamp on instruments for any payment in cash, as contrasted with negotiable instruments, to make such payment valid. Though the first loss to the revenue will not be inconsiderable, namely, 155,000*l.*, it is not a loss without hope of recovery. We think that it is a loss to which the Committee, for the sake of so great a convenience, would be disposed to accede. The penny stamp crossed and defaced by writing would be necessary to constitute a valid document of discharge. While you have to pay varying sums at present, we on the other hand propose to annex the single condition of affixing a penny stamp as sufficient. The stamp may also be attached to bankers' cheques, so as to make them valid and legal receipts, or in order to legalize their transmission from one place to another without the limit of distance imposed by the existing law.

We propose to make a change with respect to those Indentures of Apprenticeship, which are known as indentures without consideration. This is a duty which

produces very little revenue, for the reason that the charge is too high : from 20s. we propose to reduce the duty to 2s. 6d.

The next question I have to mention is one popular with the majority of this House—unpopular with the minority. It is the case of the Attornies. I must confess that I do not think the vote of the House of Commons taken upon this question would have justified the Government in proposing a remission of this duty, because we feel strongly that an isolated vote of the House of Commons, given on a particular duty, at a time when the general finance of the country may not be under its view, is necessarily given on considerations attaching to that particular duty, and without reference to the comparative and relative claims of other subjects. But we do think, in consideration of legislative changes which have been lately made, and which have tended, by indirect as well as direct action on the law, to diminish the business of attornies, that there might fairly be conceded some reduction of the tax they pay. What reduction should it be? We are not satisfied with the proposal made by the profession. This profession is subject to three charges. The first is on admission to practice, which is small. The next is the charge for the annual certificate, which is 12*l.* for the metropolitan solicitors, and 8*l.* for country solicitors; and, thirdly, the charge for articles of clerkship is put at the enormous amount of 120*l.*—a charge on capital paid by those whom I may term solicitors in anticipation, though they may die, though they may turn out incompetent, or though they may by any one of a thousand accidents be prevented from proceeding to the exercise of the profession. The profession have said, “Take the tax off the annual certificates for those who are within the gate; leave those who have to enter as they are, let them pay precisely

what they now pay." We do not think that would be a wise mode of acting. Having made up our minds that we may propose a remission of about 50,000*l.*, we propose to apply this remission in fair proportion to the certificates and the articles of clerkship; we propose to reduce certificates from 12*l.* and 8*l.*, to 9*l.* and 6*l.*, and articles of apprenticeship from 120*l.* to 80*l.*

I come now to the question which concerns Advertisements. With respect to that question, I hope the Committee will not consider that it indicates any disrespect for the judgment at which the majority of the House recently arrived, if, having the same object in view, and desiring to bring about some more effective modification of the present taxation, we, having been led by our examinations to believe that there is a better mode of proceeding than that which the House on a particular evening adopted, think it our duty respectfully to submit that mode of proceeding to the deliberate consideration of the Committee; and it is right I should say that the plan I am about to state was a plan, which the Government had already embraced at the time of the debate which occurred on Thursday last. It may, perhaps, be said, "Why did you not say so?" My answer is this—that it was from no sentiment of mortification, that it was from no desire to practise an undue reserve; it was because we feel that, if the Executive Government is, with any advantage to the country, ordinarily to discharge the function of the initiative with respect to finance, it is absolutely necessary that the strictest silence should be observed—not in contempt of pressure, but yet, notwithstanding all pressure—till the time arrives, when the views of the Government can be regularly and comprehensively disclosed.

What we propose with respect to the duty on adver-

tisements is as follows; and financially our proposal comes within a mere trifle (within 20,000*l.*) of the rival one. The present duty on advertisements at 1*s.* 6*d.* yields 181,000*l.* We propose to reduce the duty from 1*s.* 6*d.* to 6*d.* [Oh! from Mr. Milner Gibson.] The right hon. gentleman could not wait on Thursday last for four days; and now he cannot wait for as many minutes. May I make that moderate demand on his patience? It is absurd, and most of all should it appear so to the right hon. gentleman, the member for Manchester, who has considered this question, to consider the duty on advertisements alone. You must consider it with reference to such other duties as affect the journals, in which those advertisements appear.

I venture to say that, if you repeal the duty on advertisements simply, and leave the duties on the supplemental sheets attached to newspapers as they are, it is very doubtful whether a great part of your reduction will not go into the pockets of newspaper proprietors, and remain there without reaching the advertisers. You want a large increase in the number of advertisements; but you must take care that you do not subject the people to taxation in another form by multiplying their advertisements. Take the case of *The Times*. You know that journal is obliged to limit its advertisements. I will not go into detail on that subject; but I understand there is a point beyond which, in consequence of the 1*d.* stamp on Supplements, and the further stamp of $\frac{1}{2}$ *d.* on larger Supplements, it does not pay to insert advertisements, on account of the expense of printing and stamping the Supplement; and therefore a time comes, when the conductors of the paper must fix a limit to the advertisements, and must put a higher price on them, on account of the cost of the Supplement.

What we propose is this: to reduce the duty on advertisements to 6*d.*, and, instead of taking off the remainder of the duty on advertisements, to repeal altogether that with which the plan of the right hon. gentleman did not propose to meddle—namely, the 1*d.* and $\frac{1}{2}$ *d.* stamps on those Supplements of newspapers which are used solely for printing advertisements. And I venture to say the plan we propose is far more likely to secure to the advertiser the benefit of the reduction than the plan which the right hon. gentleman proposes; because, if we remove the advertisement duty altogether, then, when advertisements come into a newspaper, they must either be limited to the present sheet of the newspaper, with the present limited space, and limited competition, or they must be liable to that heavy stamp duty which discourages the printing of Supplements.

The first loss on these measures, relating to the advertisement duty and the Supplement stamps will be 160,000*l.*

The only other change we propose is contingent on a bill, by which my noble friend the Secretary for the Home Department proposes to effect a material reduction in the fares of Hackney Carriages, for the benefit of the metropolis. It is proposed to reduce the taxation on hackney carriages. A common hackney carriage now pays a tax of 10*s.* a-week. We think there ought to be a reduction of the tax, in conjunction with the reduction of the fares. We propose to reduce the duty from 1*s.* 5*d.* a-day to 1*s.* a-day, which will give a relief of 26,000*l.* The relief from the remissions of taxation on the entire division of the Stamp duties will be 418,000*l.*

Before, however, I quit this part of the subject, I have still a word to say with reference to the point of

the duty on advertisements. I hope that, in addition to the proposition I have stated as regards the bearing of the plan proposed last week, and the bearing of the competing plan proposed by the Government, the Committee will be willing to consider the effect that is likely to be produced by sweeping away entirely any branch of the revenue, if it be not revenue of an objectionable description—that is, of a description which cripples trade, and interferes with convenience and comfort in a degree disproportionate to the contribution it procures towards the public expenditure. I really do not see how it is possible in point of principle to maintain any duty whatever on fire and marine insurances, or any duty on a great many articles which I fear both have long been, and must long be, the objects of taxation, if the arguments against the present advertisement duty are to be pushed to such a length, as to stop at nothing short of absolute abolition.

We propose further to the Committee, that they should attempt to make a reform of the Assessed Taxes. That is a proposition which cannot fail to be acceptable; but the operation is not an easy one. If it is to be successful, it must proceed on three principles: the abolition of what are called the progressive duties; the abolition of what are called compositions; and, lastly, the abolition, or almost the abolition, of exemptions; together with the substitution, for the present obscure and complicated system, of a set of rates and taxes which shall be few, simple, and as nearly as possible uniform. What the Government propose is, that instead of the present duties on men-servants, beginning at a *minimum* of 1*l.* 6*s.* 6*d.*, and running up through a great variety of rates, an uniform rate of one guinea on servants above eighteen years of age shall be levied, and of 10*s.* 6*d.* on servants under eighteen. Upon private

carriages we propose, instead of *minimum* charges of 6*l.* 12*s.*, 4*l.* 15*s.* 6*d.*, and 3*l.* 11*s.* 6*d.*, according to the class of carriage, running up as before to rates still higher, to charge 3*l.* 10*s.*, 2*l.*, and 15*s.* The duty on carriages let for hire, such as post-chaises, will remain at 3*l.*; but the particulars relating to this subject will be more explicitly stated in the Resolutions which I shall lay on the table. The duty on horses, again, beginning at 1*l.* 11*s.* 7*d.*, mounts up through a great variety of rates. We propose that trade horses shall remain as now, at 10*s.* 6*d.*, that the duty on ponies shall be 10*s.* 6*d.*, and on other horses 21*s.* An hon. member asks, what we propose with respect to agricultural horses. We propose to leave them as they are now, that is to say, exempt. We may be wrong. Exemptions, as exemptions, I do not like; but it appears to me that the case of agricultural horses is somewhat analogous to that of steam-power in factories. At any rate, our object is, irrespective of fear or favour, to propose what we think impartial justice to every class. I have received proposals suggesting the imposition of taxes on steam-power. Of these I need scarcely say, that they were summarily dismissed; and, whatever my love of symmetry, I do not think it just to remove the exemption of duty which applies at present to horses employed in agriculture.

We propose to attempt a simplification of the duty on Dogs. They are usually great favourites with their owners; not so much so—indeed, quite otherwise—with the rest of the community. There are two rates of charge at present on dogs—a duty of 14*s.* and one of 8*s.*; and these different rates, inasmuch as they lead to much difficulty and evasion, we propose to commute for one single sum of 12*s.*

The immediate effect of these changes in the Assessed

Taxes will be a loss of 87,000*l.* on servants, 95,000*l.* on private carriages, 118,000*l.* on horses; but we have a gain of 10,000*l.* in the case of dogs: so that the first loss by the remission of assessed taxes will be 290,000*l.* As in the case of the duties of Stamps, however, our hope is that the first loss will in a great degree, and even at an early period, be made up to the revenue.* The assessed taxes are now levied under 72 acts of Parliament; and if the House wishes the system of these assessed taxes to be reformed, it will, I hope, be prepared to support us in the principle of subjecting to moderate duties a great variety of articles which now enjoy unwise and undue exemptions.

We propose, also, to change a system that does not strictly belong to the head of assessed taxes, but which is of an analogous character. I allude to the Post-horse duties. The case of the post-horse masters is at present a very hard one. The present system is exceedingly unequal. The duty, which is heavy and burdensome, is levied on mileage, and is subjected to all manner of difficulties in the collection. It is raised by the issuing of tickets delivered by the driver at the first turnpike; and I may state, in the first instance, that I believe the largest post-masters in the kingdom are in London, and that their principal traffic is to the railway stations, where there are in many cases no turnpikes whatever on the route. Altogether, the system is indefensible; the duty too onerous in its amount, and, as I have said, very unequal in its distribution. We propose, in dealing with this matter, to act upon a plan that has been submitted to us by the post-masters themselves. Their own proposal was a very fair one; for they declared they were not so anxious for a remission of taxation, as for an entire change of the basis and mo-

* In 1862-3, the loss was reduced to 147,000*l.*—*Note* in 1863.

delling of the tax. They propose, that the bulk of the tax shall be levied in the form of licences, which licences shall vary according to the number of horses and carriages. In this way, we propose to make a remission of 54,000*l.* a-year in favour of the post-masters. We propose a scheme of duties on the licences for horses and carriages, which will still realise a sum of 161,000*l.* a-year, giving, as I have said, a remission, and a loss at the outset, of 54,000*l.* a-year.

Another change falling more nearly under the head of assessed taxes than any other of the main divisions of my subject, is proposed with the view of giving greater facilities for the redemption of the Land-tax. The present provision of the law for the redemption of the land-tax is very stringent, and its operation is in consequence exceedingly limited. You may redeem a tax of 1*l.* levied on the land, by transferring to the Commissioners for the Reduction of the National Debt 22*s.* a-year in the Funds; but these are extremely unfavourable terms; and, instead of requiring 10 per cent. more than the amount of the tax, we propose to reduce it by 17½ per cent.; that is to say, we propose to take 7½ per cent. less than the amount of stock which would yield an annual interest equal to the tax redeemed.

The Committee should be aware that any change made with relation to the Assessed Taxes cannot come into operation during the present year; and if at a future period of the session we shall, in pursuance of my statement to-night, ask the House to pass an Act called an Assessed-tax Act, the operation of the change will be as follows. The Act will be framed to take effect in the financial year April, 1854-5, and persons will then be charged upon the articles they may have kept, not from April, 1853, to April, 1854, but from the 10th of October, 1853, to the 5th of April, 1854.

Out of all the losses of revenue, or commutations of taxes, under this branch of the assessed taxes, only one, involving the loss of 54,000*l.* on post-horse duty, would come into effect this year; and of this only one-half would come to charge, namely, the half which belongs to the period from 10th October to the 5th of April.

I have still a most important branch of remissions to mention. There will indeed be a loss of revenue in the plan proposed with reference to colonial postage; but on that I do not enter, as I doubt if any part of it will come into the present year. I pass on, therefore, to the important head of Customs' duties, which still remains untouched. Now, with reference to the Customs' duties, I may state that no branch of revenue has attracted in a more marked manner the attention of the Government, as they feel that it is here, after all, that the elasticity of the powers of the country has chiefly been shown; and, as they think, it is by the singular manifestation of these powers during recent years that they are supported and justified in the proposal they are now about to make, with the hope of producing an effective result on behalf of trade and industry as regards many articles of Customs' duties.

I will begin, however, by mentioning an article of importance, in which we can make no change; that is the article of Wine. I refer to this tax, as it is a subject of peculiar susceptibility, and the cause of an agitation out of doors, which is almost as perilous to the wine duties as certain climates are hostile to the growth of wine itself; and because it is desirable that if the House and the Government think no change can be made in the duty, that opinion of the House and the Government should be quickly, as well as clearly and intelligibly, expressed.

There are three plans, any one of which may possibly

be followed with regard to wines. One would be to reduce the duty to a low uniform duty of 1s. 6d., or 2s., or at most say 2s. 6d., the gallon. Now, we cannot adopt this measure unless we are prepared to sacrifice an amount of revenue for the first year of at the very least 700,000*l.*, besides an additional difficulty in regard to the drawback for stocks on hand. With respect to these, it is not impossible that the Government might have to form a sturdy resolution, in which the House of Commons might afterwards be induced not to concur. But whether that be so or not, a loss to the revenue of 700,000*l.* on the article of wine, in addition to its other losses, is very serious; and the importance of the change in connection with its cost will not, we think, as matters now stand, advantageously bear a comparison with other objects that the Government have in view. Another plan would be to fix a duty of several rates on wine of different values, somewhat resembling the duty on different qualities of sugar. But if such a plan is attended with difficulty in the case of sugar, with how much greater difficulty would it not be attended in that of wine? It has many recommendations, certainly; and this among them, that it would admit low classes of wine at a smaller loss to the revenue. But the Revenue Department would have the greatest difficulty in carrying out such a system; it would be most complex in its operation; the wine trade, literally almost to a man, are opposed to it; and I cannot say that public opinion is so much in its favour, as to induce us to attempt to carry it into effect. That being so, there is no choice for us but to say that, whatever be our opinion of the operation of the present wine duty, we are unable to propose any change in it, and we must pursue the third and only remaining plan—that is,

to retain the existing duty; while we cannot propose any change in it at the present time, neither can we see any definite or early prospect of a change hereafter.

I pass to the next article I have to mention, which is Tea. I will not discuss the reasons that exist for reducing the tea duties. It would be idle to do so; for the question is already settled in public opinion; and I have yet more work to do before I close. And, as we have agreed to make a reduction in the tea duties, so we have acceded to the general principle recognised by the right hon. gentleman opposite (Mr. Disraeli), on the part of the late Administration, that it would be most unwise to make the reduction to 1s. by a single leap. It is almost demonstrable, so far at least as a negative is capable of demonstration, that you cannot have the slightest hope of such an immediate increase of supply as would indemnify the revenue, or even bring the loss within moderate bounds, or as would effect what is of yet more importance, I mean, secure the main benefit of the reduction to the consumer.

What we propose is this; to take the first step just as it was to be taken by the right hon. gentleman opposite, in his proposal of last December, and reduce the duty, at once, from 2s. 2½*d.* to 1s. 10*d.* We have carefully considered the present state and prospects of the supplies of tea. The condition of the Chinese empire, at this moment, is certainly not as favourable to a great extension of supplies as we could wish. We cannot entertain sanguine expectations that any very large addition will be made in the next twelve months, to the quantity available for the wants of this market; but, notwithstanding, we hope and believe, if there shall not exist a chronic state of revolution in China, which is a thing hardly to be supposed—that, so far as the production of

tea is concerned, a short time, a couple of years probably, would be sufficient to put us in possession of a perfectly adequate addition to our supply.

We propose, therefore, to take the first step, as the right hon. gentleman (Mr. Disraeli) took it, but we propose, thereafter, to proceed somewhat more rapidly. We shall take the first reduction from the date when the House, if it coincides with us in opinion, shall adopt the Resolution to that effect. To the 5th of April, 1854, it will be 1*s.* 10*d.*; to the 5th of April, 1854-5, it will be 1*s.* 6*d.*; to April, 1855-56, 1*s.* 3*d.*; and from April, 1856, it will be 1*s.* The whole time occupied in effecting the descent from 2*s.* 2½*d.* to 1*s.* would thus be rather less than three years. We hope, with favourable circumstances, thus to bring in the supply necessary to meet increased demand, but we could not venture to recommend to Parliament the adoption of any shorter period for effecting the change. Again, let me warn the Committee that they must not suppose that this is a change which, if we take a clear and dispassionate view of it, can be effected without a heavy loss to the revenue in the first instance.

The aggregate amount of this remission, indeed, will be enormous. If any gentleman will calculate the difference between 2*s.* 2½*d.* and 1*s.* on the amount of tea consumed during the last year, he will find it come to nearly 3,100,000*l.*,—a sum much too large to reckon upon recovering all at once. By the arrangement I have stated, the computed loss of the first year will be 366,000*l.*; for the second year, 510,000*l.*; for the third year, 454,000*l.*; and for the fourth year, 604,000*l.*; making altogether a positive diminution on the Customs' revenue, in these years, of 1,934,000*l.* But at the same time the loss, we trust, will undergo thenceforward a rapid and steady diminution.

In proceeding to consider more generally the state of our Tariff, we have been desirous to carry into effect something like a new revision of the general rates; and to apply to it, wherever our means would permit, the following general rules,—first, to abolish altogether the duties which are unproductive, except in cases where there may be some special reason for retaining them on account of their relation to other articles; and, in the next place, to abolish, as far as considerations of revenue will permit, duties on articles of manufacture except those which are in the last stage as finished articles, and are commonly connected with hand-labour: for in regard to these cases we have thought it more prudent and proper to proceed in the mode, not of abolition, but of reduction. But in these instances we have endeavoured to fix the duties in such a way that, as a general rule, they should not stand, as to any class of goods, at a point higher than 10 per cent. on their value. As I have referred to 10 per cent., I may state that we have not thought it right to propose a reduction in the silk duties, which are 15 per cent. The question of the silk duties is mainly a question of revenue; and in regard to it we do not think silk is an article that has the strongest relative claims upon our consideration; for, in so far as it is an article into the manufacture of which protection enters, the protection has mainly reference to certain classes of operatives with respect to whom it would be the disposition of Parliament to proceed considerably and with great circumspection.

We desire further, whenever it can be done, to take the mode of substituting rated duties for duties *ad valorem*, and to get rid in every case, except in a few instances where it is important on account of revenue, of the 5 per cent. addition to the Customs' duties made in 1840; which, besides raising the amount of the

duty payable, somewhat complicates the transactions of business.

We propose, in many instances, where there are at present differential duties in favour of the products of British Possessions, to merge those differential duties altogether by lowering the foreign article to the level of the colonial ; but where we are not able to lower the foreign article to the level of the colonial, we have not thought it would be considerate in any case to raise the duty on the colonial article. Lastly, we have been desirous to lower the duties that press on those foreign articles of food, which enter largely, if not into the necessities of life, at any rate into what may be called the luxuries, or the comforts, of the mass of the people.

Now, the application of this last rule will be as follows ; as to articles of food, we propose to lower the duty on a number of articles, of which the principal are these :—Apples, from 6*d.* and 2*s.* a bushel to 3*d.* ; cheese, from 5*s.* to 2*s.* 6*d.* per cwt. ; cocoa, from 2*d.* to 1*d.* per pound ; nuts, from 2*s.* to 1*s.* per bushel ; eggs, from 10*d.* to 4*d.* per 120 ; oranges and lemons, from a variety of rates, all of them high, to 8*d.* per bushel ; butter, from 10*s.* to 5*s.* per cwt. ; raisins, from 15*s.* 9*d.* to 10*s.* per cwt. The produce of these articles to the revenue at the present moment is 571,000*l.* ; the immediate relief given by the reduction on the same quantities would be 262,000*l.*, but, with the allowance which we think may be made for an immediate increase of consumption, the probable net loss will be 185,000*l.*

Besides these articles of food, which are 13 in number, including tea, there are 123 articles which we propose to set altogether free from duty, involving a loss of 53,000*l.* ; and 133 other articles which we propose to reduce, involving a gross loss of 70,000*l.*, but a loss which, with an allowance for increased consumption,

may be taken at 52,000*l.* The effect of this will be generally, to effect a great simplification of the present system of Customs' duties. With respect, however, to *ad valorem* duties, the Committee will recollect that the abolition of them, however desirable in other respects, will by no means simplify the mere form of the Tariff. In several cases, as for example, in the case of musical instruments, we must introduce a number of rather complex descriptions to get rid of one apparently very simple one. The Resolutions which I shall lay on the table will enable the House, when they come to the consideration of them, to assist the Government in determining whether, in any of the cases I have stated, it will or will not be better to adhere to the *ad valorem* duty. All I now say is, that if the proposal does not wear the appearance of simplicity that may be desired, it is because this change, while in reality it will give great ease to business, yet of necessity tends to multiply specifications.

The effect of these various changes in the Customs' duties, as applicable to the year 1853-54, will be to produce a gross loss of 1,338,000*l.*, but a loss which, we trust, will again be reduced by increase of consumption to 658,000*l.*

And now, Sir, I will sum up the entire effect of these operations for the financial year 1853-54. The remissions of taxes we propose as applicable to 1853-54 will cause a gross loss in the Excise of 786,000*l.*, and a net loss of 771,000*l.*; in stamps, a gross loss of 417,000*l.* and a net loss of 200,000*l.*; in post-horses, 27,000*l.*; in Customs, taken altogether, a gross amount of loss equal to 1,338,000*l.*, and a net loss of 658,000*l.*; thus showing in the aggregate a remission of taxation for the present year of 2,568,000*l.*, and a loss incurred by the revenue, after allowing for the degree in which the

remission will be replaced by increased consumption, of 1,656,000*l.*

Therefore, Sir, the state of the account for 1853-54 stands thus. We have a surplus of 807,000*l.* We invite you to grant us the means of raising by new taxes the sum of 1,344,000*l.*; making together an available fund of 2,151,000*l.* We propose to enact a remission of taxes, to take effect at once, that will entail a loss to the revenue of 1,656,000*l.* There will remain a surplus of 493,000*l.*; of which a portion, exceeding 200,000*l.* will be, not drawn from permanent sources, but in the nature of occasional or incidental payment. The Committee will, I think, be of opinion that it would not be prudent, especially at a time when we have in contemplation a scheme affecting the public Debt, to proceed with a surplus less than this. Indeed, it may appear too small: but the Committee will presently see that the following year, 1854-55, may make some addition to it.

I have still the important duty to discharge of redeeming the pledge which a short time ago I gave to the Committee, to the effect that the Government were not paltering with the Parliament or with the people of England about the income-tax, but that when we say we propose to place you in a condition to remove it at a future day, which day we are of course prepared to name, we make that proposal on the basis of calculations which, though they are of necessity less definite, and less susceptible of accurate verification than if they referred to the present moment only, yet, I think, are founded on a safe and reasonable basis.

First, let me present to you the probable balance-sheet for 1854-5. We left the year 1853-54 with a surplus of about half a million, a considerable portion of which does not consist of permanent income. In 1854-55, you are likely to have additional sources

of income that will more than countervail the additional loss. The additional loss will be—on the tea duties, 510,000*l.*; on post horses, 27,000*l.*; the remainder of the soap duties, 340,000*l.*; assessed taxes, 170,000*l.*; colonial postage, 40,000*l.* All the additional losses, which we now invite you to take into your calculation for 1854-55, will together be 1,087,000*l.* On the other hand the Succession Duty will, as we are led to expect, then be available, in its second year, to the further extent of 700,000*l.*; the reduction of interest on the 3*¼* per Cents., of which, according to the usual principle of computation, one-half is taken credit for, will in the same year give a sum of 312,000*l.* The second moiety of the extension of the income-tax will add to this income 295,000*l.*

Putting these sums together, you will find that the whole additional charge to be made for 1854-55 will be 1,087,000*l.*; but the additional income which I propose is 1,307,000*l.*, there will be, so far as that year is concerned, a profit, which will justify the Committee, I think, in giving its assent, notwithstanding the narrowness of the surplus with reference to the extent of the scheme, to the remissions which the Government have proposed. At the same time, it is right that the Committee should have fully and clearly in view the complete extent of these remissions of indirect taxation. They will be as follows:—Soap duties, 1,126,000*l.*—(I am now taking the extent of the relief or immediate loss to revenue, without any allowance for the recovery in cases of reduced duty); stamps, 418,000*l.*; assessed taxes, 290,000*l.*; post-horses, 54,000*l.*; total—so far as the Board of Inland Revenue is concerned—1,888,000*l.* Then, in the Customs' duties generally the gross loss will be no less than, on tea, 3,084,000*l.*; on articles of food properly so called—butter, cheese, and the rest—

262,000*l.*; on minor duties, 120,000*l.*; or a total relief under the head of Customs' duties of 3,466,000*l.* Adding to these various amounts the small sum I have described under the head of colonial postage—40,000*l.*—the entire amount of remissions of indirect taxation to which the Government now invite the Committee to assent will be not less than 5,384,000*l.*

With this remission of indirect taxation we propose to combine the bringing about a state of things, or the rational prospect of a state of things, in which you can, if you so think fit, really part with the income-tax. Let me now, therefore, represent to you the state of accounts, which sums up, and winds up, the whole of this protracted statement. The remissions of indirect taxation now proposed amount, as I have just explained, to a gross loss of 5,384,000*l.* Looking back to the remissions which have been made in late years, which began in 1842, and which were renewed on a very large scale in 1845 and 1846, we find that these remissions—within terms, as to some of them of eleven years, some of them of five or six years, but in the mean term of seven or eight years—have completely, or almost completely, recovered themselves.

The effect of such remissions in the way of recovery we have found to be twofold; first, they act upon the consumer of the particular article, enabling him to increase his particular consumption of the various articles; secondly, they act upon the general consumer; they operate powerfully for the extension and invigoration of the trade of the country; in that way they enlarge the means of consumption on the part of the great body of the people, and thus by a still more prolific process replace the first loss occasioned by the reduction or remission. We assume that what has happened before will happen again; that these remissions of indirect

taxation, which are analogous to the remissions that have been made heretofore, will, as those former remissions have done, replace themselves in about the same time; and I therefore assume that, so far as these remissions are concerned, you will, when the time arrives for the expiration of the income-tax, find these taxes very nearly in amount what they now are. I will not enter into the question of what taxes you may think proper to repeal or reduce in the interval. It is sufficient for me to provide for the remissions which I now propose; and in the proposal of which I do not invite you to undermine, but on the contrary, I ask you to increase and confirm, the stability of the financial system of the country.

But the question remains; how are we to attain a rational prospect of being able to part with the income-tax in 1860? The country, after so many announcements that have been made to it from time to time that the income-tax was to be parted with, has become, doubtless, incredulous on the subject; and may, perhaps, conceive that we are aiming at a fictitious and undeserved popularity, when we seek to show that, together with our remissions of indirect taxation, we can enable the House to surrender the income-tax; but at any rate our computations shall be put plainly before the Committee: the Committee and the country can form their own judgment on them.

The amount of the income-tax, as we have it now, is 5,550,000*l.*; this amount will be increased, as I have proposed, by the addition of 590,000*l.* The gross amount, therefore, of this duty, so increased, will be 6,140,000*l.* I will not enter into a detail of its composition, and of the descending rates, but, taking the tax at 6,140,000*l.*, let us inquire in what condition Parliament will stand with reference to the parting

with so large a sum of money. It will stand thus:— In the first place there will be available, as additions to the permanent sources of income—legacy duty 2,000,000*l.*; spirits, 436,000*l.*; licences, 113,000*l.*; making a total of 2,549,000*l.* towards the fund which we must provide in order to put Parliament in a position, if it should so think fit, to part with the income-tax.

Then we come to the anticipated reductions of fixed charge, which of course will be as effectual for the purpose in view as positive additions to the revenue. The first of these reductions of charge is that on the Three-and-a-Quarter per Cents., which we owe to the wise measure of my right hon. friend the member for Cambridge in 1844; that measure will bring to credit of the account a sum of 624,000*l.* Then, bad as is our case with regard to the National Debt, and loath as I am to encourage extravagant expectations in that quarter, yet it must be recollected that by the regular application of surpluses, and by the machinery of annuities, we in a small way operate from year to year, both on the capital of the Debt and on the annual charge. Look back for the last eleven years and you will find, that since 1842 we have reduced the charge of the National Debt, by surpluses and other measures, irrespective of any greater operation, at the rate of 80,000*l.* per annum. I will assume that this is to continue. I trust it is a safe assumption; for I venture to hope that whatever may be the pressure upon our finances, and whoever may hold the reins of government, we shall always think it one of our main public duties, nay, perhaps, the very first of our duties, to make ample provision for maintaining the efficiency of the public service and the credit and honour of the country. I will assume, I say, that we shall continue

to have the same amount applicable to the yearly reduction of the charge which we have had heretofore; and, taking that amount accordingly at 80,000*l.* per annum for the eight years up to 1861, this will give you a sum of 640,000*l.*

Adding this reduction of fixed charge, which may be not unreasonably expected, to the sums to be created by the new means of taxation—which latter I have stated to be 2,549,000*l.*—we shall have an aggregate total of 3,813,000*l.* Then, in 1859-60, there will fall in the heavy burden of the Long Annuities and of another large portion of our terminable Annuities. The first of these is 1,292,000*l.*, the second 854,000*l.*, together they will afford a relief of 2,146,000*l.* Adding this amount to the sum of 3,813,000*l.*, which I have already stated, you will find that, between the additional resources from taxation, and the reduction of charge which will accrue in the interval, and the falling in of the Long and other Annuities, at the expiration of the period I have named, there will probably be an available increase of means at the disposal of Parliament, should the present plan of the Government be adopted, in the year 1860, to no less an amount than 5,959,000*l.*, against the 6,140,000*l.* of income-tax, which will be the total amount of that tax at that period. In the year 1860-1, half of the income-tax at 5*d.* will be available. The balance I have stated will be applicable as respects the following year. The Committee may now judge whether I have been justified in the language I have used with respect to the surrender of the income-tax. I have only to add that its surrender, added to the other changes we have now proposed, would make up in all a remission of taxes to the extent of eleven millions and a half.

Thus, then, Sir, if the Committee has followed me,

they will understand that we found ourselves on the principle that the income-tax ought to be marked as a temporary measure; that the public feeling that relief should be given to intelligence and skill as compared with property, ought to be met, and may be met with justice and with safety, in the manner we have pointed out; that the income-tax ought in its operation to be mitigated by every rational means, compatible with its integrity; and, above all, that it should be associated in the last term of its existence, as it was in its first, with those remissions of indirect taxation which have so greatly redounded to the profit of this country, and have set so admirable an example—an example that has already in some quarters proved contagious—to the other nations of the earth.

These are the principles on which we stand, and these the figures. I have shown you that if you grant us the taxes which we ask, to the moderate amount of 2,500,000*l.* in the whole, much less than that sum for the present year, you, or the Parliament which may be in existence in 1860, will be in the condition, if it shall so think fit, to part with the income-tax.

Sir, I scarcely dare to look at the clock, reminding me, as it must, how long, how shamelessly I have trespassed on the time of the Committee. All I can say in apology is, that I have endeavoured to keep closely to the topics which I had before me :

“ — immensum spatiis confecimus æquor ;
Et jam tempus equūm fumantia solvere colla.”

These are the proposals of the Government. They may be approved, or they may be condemned; but I have at least this full and undoubting confidence, that it will on all hands be admitted, that we have not sought to evade the difficulties of our position—that we have not concealed those difficulties either from our-

selves or from others; that we have not attempted to counteract them by narrow or flimsy expedients; that we have proposed plans which, if you will adopt them, will go some way towards closing up many vexed financial questions—questions such as, if not now settled, may be attended with public inconvenience, and even with public danger, in future years and under less favourable circumstances; that we have endeavoured, in the plans we have now submitted to you, to make the path of our successors in future years not more arduous, but more easy; and I may be permitted to add, that while we have sought to do justice, by the changes we propose in taxation, to intelligence and skill, as compared with property—while we have sought to do justice to the great labouring community of England by further extending their relief from indirect taxation, we have not been guided by any desire to set one class against another; we have felt we should best maintain our own honour, that we should best meet the views of Parliament, and best promote the interests of the country, by declining to draw any invidious distinction between class and class; by adopting it to ourselves as a sacred aim, to diffuse and distribute, burden if we must, benefit if we may, with equal and impartial hand; and we have the consolation of believing that by proposals such as these we contribute, as far as in us lies, not only to develop the material resources of the country, but to knit the hearts of the various classes of this great nation yet more closely than heretofore to that Throne, and to those institutions, under which it is their happiness to live.

FINANCIAL STATEMENT OF 1860:

AND

TREATY OF COMMERCE WITH FRANCE.

DELIVERED ON FRIDAY, FEB. 10, 1860.

The House having resolved itself into a Committee of Ways and Means,

The CHANCELLOR of the EXCHEQUER rose and said,—

SIR,—Public expectation has long marked out the year 1860 as an important epoch in British finance. It has long been well known that in this year, for the first time, we were to receive from a process, not of our own creation, a very great relief in respect of our annual payment of interest upon the National Debt; a relief amounting to no less a sum than 2,146,000*l.*; a relief such as we never have known in time past, and such as I am afraid we never shall know in time to come. Besides that relief, other and more recent arrangements have added to the importance of this juncture. A revenue of nearly 12,000,000*l.* a-year, levied by duties on tea and sugar, which still retain a portion of the additions made to them on account of the Russian war, is about to lapse absolutely on the 31st of March, unless it shall be renewed by Parliament. The Income-tax Act, from which during the financial year we shall have derived a sum of between 9,000,000*l.* and 10,000,000*l.*, is likewise to lapse at the very same time, although an amount not inconsiderable will still remain to be

collected in virtue of the law about to expire. And lastly, an event of not less interest than any of these, which has caused public feeling to thrill from one end of the country to the other—I mean the Treaty of Commerce with France, which my noble friend the Foreign Minister has just laid on the table—has rendered it a matter of propriety, nay, almost of absolute necessity, for the Government to request the House to deviate, under the peculiar circumstances of the case, from its usual, its salutary, its constitutional practice of voting the principal charges of the year before they proceed to consider the means of defraying them; and has induced the Government to think they would best fulfil their duty by inviting attention on the earliest possible day to those financial arrangements for the coming year which are materially affected by the treaty with France, and which, though they reach considerably beyond the limits of that treaty, yet, notwithstanding, can only be examined by the House in a satisfactory manner when examined as a whole. This must be our apology, if any apology be needed, for asking Parliament at this unusually early period to take into its earnest consideration the matters which I am about to submit to it. And, Sir, every consideration, both of gratitude for the kindness of the House to myself, and likewise of public duty will ensure that, if I have an extensive field to traverse, and many subjects to open and discuss, I shall not, at least, make any wanton trespass on the time and attention of my hearers.

The results of the finance of the last year, inasmuch as it has not positively reached its close, can only be presented in a form founded partly on account and partly on estimate. At the same time they will be given in figures, on which the Committee may place reliance as being for every practical purpose perfectly safe. It is

necessary, however, for me here to remind the Committee that, as is not usually or frequently the case, circumstances have occurred during the latter portion of the present financial year, which tend materially to influence its results. The expedition to China has made it necessary to enlarge the proposed military and naval expenditure of the year, even beyond the liberal scale of provision supplied by Parliament in the last session; and likewise the arrangements coming into force under the commercial treaty with France, in case the provisions of the treaty shall receive the sanction of the House—will act materially upon the amount of our revenue from Customs for the residue of the year. I will, therefore, Sir, with your permission, first present to the Committee the state of the account as it stood, entirely apart from these disturbing causes, and I will then in a few words show the Committee how, since these causes have come into action or into view, it is at present likely to stand.

The results of the year from a financial point of view—at least, so far as receipts are concerned—have been eminently satisfactory. The Customs revenue, which was estimated at 23,850,000*l.*, and which was moreover estimated at that amount so lately as in the month of July last, will probably produce—apart from the causes to which I have referred, and I beg the House all along to bear this parenthesis in mind—24,750,000*l.* The Excise I estimated at 19,310,000*l.*; it will produce 19,724,000*l.* The Stamps, however, show a small deficit, having been estimated at 8,100,000*l.*, while they will produce only 8,000,000*l.* The Land and Assessed Taxes were estimated at 3,200,000*l.*; they will produce about the same sum. The Income-tax was estimated at 9,940,000*l.*; it will produce 9,894,000*l.* The Post-office revenue was estimated at 3,250,000*l.*; it is likely to produce that sum. The Crown Lands were estimated

at 280,000*l.*; they will about fulfil that estimate. The Miscellaneous Revenue was estimated at 1,530,000*l.*; it will produce 1,480,000*l.* The general result will, as I calculate, be this :—The revenue was estimated to produce 69,460,000*l.*, and it will be found to have produced not less than 70,578,000*l.* On the other hand, looking at the side of expenditure, we were to have stood as follows ;—The interest of the funded and unfunded Debt, estimated at 28,600,000*l.*, will amount to 28,638,000*l.*; the Miscellaneous and Consolidated Fund charges will, I think, amount to 1,960,000*l.*, the sum at which the estimate was taken; the Army was estimated at 13,300,000*l.*, and it may now, independently of the recent measures, be taken at 13,550,000*l.*, in consequence of an excess of expenditure handed over from the preceding year. The Navy was estimated at 12,782,000*l.*; it will probably cost 12,630,000*l.* The expenses of the Civil Service—called Miscellaneous—were estimated at 7,825,000*l.*; they are likely to reach 7,700,000*l.* The Revenue Departments were estimated at 4,740,000*l.*; they are now estimated at 4,447,000*l.* The general result is that, whereas the estimated charges of the year were 69,270,000*l.*, the total expenditure will in all likelihood, apart from the disturbing cause to which I shall presently refer, be somewhat less, or 68,953,000*l.* Comparing this expenditure of 68,953,000*l.* with the receipts of 70,578,000*l.*, the Committee will perceive that we might have had a surplus of income over expenditure of not less than 1,625,000*l.* That surplus would have been the result of the liberal and wise provision made by Parliament, during the past session, to meet the expenses of the year. As matters now stand, indeed, it will not be available for the reduction of the National Debt; for it has almost entirely been absorbed; yet, nevertheless, it may serve for a good

example of the prudence of that general rule which induces this House, when appealed to for the purpose, to provide ample means to meet the public expenditure, inasmuch as Parliament will always in consequence be enabled, if it shall think fit, to confront new and unexpected emergencies without any new financial provision.

But, Sir, after Parliament had been prorogued, we were obliged, as I have stated, to encounter additional charges; and I come now to what I have called the disturbing causes which have acted on the revenue. The necessity of making provision for the expedition to China—an expedition dispatched to be the bearer, at least in the first instance, of peaceful remonstrance—cast an additional burden on the votes for Army and Navy, which (apart from the excess in army expenditure for the year 1858-9) stands as follows:—Army, 900,000*l.*; Navy, 270,000*l.* Since that demand arose, there has arrived the treaty with France. It is very difficult indeed to estimate, for so short a time as that which has to pass before March 31, what the results and effects of that treaty will be upon the Customs revenue; more especially as a question may perhaps be raised with respect to certain payments that it may be requisite to make to a limited class of persons who are affected by some of the particular arrangements of that treaty. However, we have allowed for the operation of the treaty what we think an ample amount; and I have to deduct, on this score, from the estimate which I have given to the Committee for the Customs revenue of the current year, a sum of 640,000*l.* We, therefore, now stand worse than we were to have stood by 1,170,000*l.* for additional charges on our military and naval expenditure, and also by 640,000*l.* likely to be lost on our receipt from Customs in consequence of the treaty with France. The joint amount of these two items is 1,810,000*l.*, which,

being deducted from the surplus we should have had, would appear to place us on the wrong side of the account. But deliverance has come in from a quarter from which, perhaps, it would not have been expected.

“Via prima salutis,
Quod minimè reris, Graiâ pandetur ab urbe.”

A friendly kingdom has undertaken to pay us a debt, and this at the very moment when she herself is engaged in war. Spain, not under any peculiar pressure from us, but with a high sense of honour and duty, not seeking to avail herself of the plea which, I do not hesitate to say, she might under the circumstances have advanced for further time, has remitted to us a sum in bills which will shortly come due, of nearly 500,000*l.*; of these 250,000*l.* will come to the credit of the revenue before the 31st of March. And now, Sir, if the Committee will take the trouble to compare the figures, it will be seen that we set out with a probable surplus of 1,625,000*l.*; adding to that surplus the 250,000*l.* of which I have spoken, it becomes 1,875,000*l.*, against which we have a charge of 1,810,000*l.*; a state of the account which will leave the Chancellor of the Exchequer with a surplus—undoubtedly, so far as now appears, one of the narrowest on record, but still a surplus, not a deficit.

This, then, Sir, is the probable state of the account for the present year, ending with the 31st of March. I now proceed to approach the more extensive and more difficult part of the subject before me—that which relates to the charge and expenditure of the coming year 1860-61.

First, Sir, the estimated charge for the funded and unfunded Debt in the coming year is only 26,200,000*l.*, which shows a decrease of 2,438,000*l.*—a sum consider-

ably larger than the amount of the annuities which are about to fall in. But the reason of that greater decrease is that, as the Committee may probably recollect, we were called on last year to make a special provision for one quarterly payment that has fallen exceptionally into the current financial year, in consequence of the determination of the annuities in January; whereas, if they had continued to run their full term of half a year, the charge would have gone into the year 1860-61. That arrangement swelled the charge for the Debt in 1859-60, and proportionately augments the relief from that charge in the year 1860-61. Therefore, the charge for the Debt in 1860-61 stands only at 26,200,000*l*. The Consolidated Fund charges, commonly so called, stand at 2,000,000*l*., exhibiting an increase of 40,000*l*. The Army and Militia, including a Vote of credit to the amount of 500,000*l*., which it will be our duty to propose on account of the Chinese expedition, will amount to 15,800,000*l*. The Navy and Packet Services—which I mention together for the purpose of easier comparison with former years, though the Packet Service is likely to be separated from the Admiralty—will stand in the Estimates at 13,900,000*l*. These two sums, which together include the whole military expenditure of the country by land and sea, along with the cost of the packet service, amount to 29,700,000*l*., showing an increase of 3,618,000*l*. on the Military Estimates (in the same sense of the term as heretofore), which were voted in the last Session, and an increase of 2,448,000*l*. on the Military Estimates for the current year, as they now stand, augmented by the additional charge that will be brought upon them if the House should grant the sum for which the Government will think it their duty to ask.

The Miscellaneous Civil Estimates for 1860-61 are

taken at 7,500,000*l.* That amount exhibits a decrease as compared with the Estimates of last year of 325,000*l.*; and if the Committee, which the House has in some manner declared its intention of appointing, should be enabled to enter on its labours at an early period, and should prosecute them with such vigour and success as to enable us to carry further the process of retrenchment, I assure the hon. gentleman who moved, the hon. member for Birmingham who supported, and the other members of the majority who carried the motion for its appointment against us, that it will be a result highly acceptable to Her Majesty's Government.

The estimate for the Revenue Departments, standing at 4,700,000*l.*, presents an apparent increase of 225,000*l.*; but let it not be supposed that this is a real increase of the charge of collection; it is due, to speak in general terms, to an increase of accommodation in the Post Office Department, which I have no doubt will continue to be fully balanced by the increase of revenue in that branch of the public service. The total amount of the six sums, which I have stated to the Committee, is 70,100,000*l.*

With respect to one great and conspicuous head of increase—that on the Military and Naval Estimates—it is not my intention at the present to enter into any discussion; but it will be the duty of my right hon. friend and of my noble friend who represent those departments respectively, to explain that subject to the Committee at the earliest date, and to lay before them the nature of the special, and, we may hope, in a great degree temporary, causes, which have rendered it necessary to make so considerable a demand on the resources of the country.

Now, Sir, when we look at the estimated income for the coming year, it is a matter of which the first view

will hardly be found satisfactory. And I confess I am not sorry that the figures should be such as will at least draw serious attention to the whole subject. For it is well that, in addition to your annual review of the income and expenditure, when special junctures arrive, with circumstances of a marked character, Parliament should be, so to speak, obliged to institute a deeper and more comprehensive examination, and to consider more at large what is the proper scale both of taxation and likewise of expenditure for this great country.

The estimated income for 1861 will be taken by me in the first instance with reference simply to the law as it stands; except that I shall assume that the Committee would, almost as a matter of necessity, think it right to renew the taxes on tea and sugar at rates not less than those which they deliberately adopted in 1853. Pray let it be clearly understood that I am assuming the renewal of these particular duties at what would be called the *minimum* rates. But I shall assume nothing else beyond what is absolutely given us by the existing law; in order that I may exhibit to the Committee as fully and as clearly as I can the nature and the whole extent of the deficit which they will have to supply, in order that they, on their part, may exercise the largest and the freest choice with respect to the means which they may think proper to adopt for that purpose.

Approaching the subject from that point of view, we estimate that the Customs will yield 22,700,000*l.*; the Excise, 19,170,000*l.*; the Stamps, 8,000,000*l.*; and the Taxes, 3,250,000*l.* The Income-tax, that is one half-year's receipt still outstanding at the rate of fivepence in the pound, would yield 2,400,000*l.*; the Post-office, 3,400,000*l.*; the Crown Lands, 280,000*l.*; and the Miscellaneous Revenue, 1,500,000*l.* The total of these receipts would be 60,700,000*l.* The total charge which

I have exhibited is one of 70,100,000*l.*, and the apparent deficit, I need hardly state to the Committee, amounts to 9,400,000*l.*

It may be thought that I am not representing prospectively a brilliant state of affairs as respects the revenue and expenditure of the country; nor do I pretend to place on it any such colour. We have a prosperous country, a wealthy country, a country rapidly growing in wealth and power; but the relative state of our revenue and expenditure is at this moment such as I have described. And pray observe that in the estimate of Charge for 1860-61, amounting to 70,100,000*l.*, we get even more than the full benefit of the 2,000,000*l.* and upwards of annuities, which will fall in during the year. I am bound also to say that I am not in a condition to ask you to do all, that might under other circumstances have been desirable. I frankly own that I do not feel myself in a position to propose, as I otherwise might have proposed, that we should make provision for the payment of the sum of 1,000,000*l.* which will be due for Exchequer-bonds in November next. Such as it stands, without any provision for that purpose, you have now, Sir, the deficit before you.

And now, Sir, it would be perfectly possible for me to proceed summarily towards my conclusion, were it not for the Treaty which I have to discuss. It would, at any rate, have been perfectly possible for the House, if such were the view which they entertained, to close the whole account by a very simple, but, I must say, a very rude process. The sum of 9,400,000*l.* is wanted. I will suggest to the Committee two modes, by either of which you might have thought fit to supply it. In the first place, you might have said, or you may still say, we shall keep the tea and sugar duties at their present rates; that determination would supply a sum of

2,100,000*l.* But 2,100,000*l.* taken from 9,400,000*l.* still leaves the less formidable, yet rather intractable sum of 7,300,000*l.* And now I beseech the Committee to observe that if they think with the Government, that the large and ample provision which we are about to propose for the services of the country is a necessary outlay, they will have to make good the deficit of 7,300,000*l.*, irrespective of any Treaty with France, of any relief to the people, of any improvement of the commercial laws, of any remission whatever of taxes affecting trade or industry, even to the extent of a single shilling. And what is meant by filling up the deficit of 7,300,000*l.*? It means, at any rate, an Income-tax of 9*d.* in the pound. The tax at that rate would give you for the year 1860-1 the sum of 7,672,000*l.*, or a surplus of 372,000*l.* This would certainly be a possible measure. But, again, supposing you were to take a more liberal view of the matter, and to say we do not think it right that there should be no remission on articles connected with the trade and industry of the country, or that duties on tea and sugar which were imposed for the purposes of war, and have been kept on during three or four years of peace, should be further prolonged. Well, then, abandoning these war duties on tea and sugar, and keeping on what may be called the peace duties, upon this basis, in order to fill up the deficit of 9,400,000*l.*, we should require the very neat, and easily stated, and easily understood sum of an Income-tax of 1*s.* in the pound. This also would be without any other remission of duty, and would be simply what is required for the general demands of the revenue.

Then, Sir, it may be asked, and asked with justice of many members of Her Majesty's present Government—but most of all with justice may it be demanded of me—

what has become of the calculations of 1853? It is a perfectly legitimate question; and I think I can render to my honourable and learned friend who cheers it an answer so simple that the wayfarer 'who runs may read.' Our financial calculations, dated in the year 1853, are to be found in 'Hansard's Debates;' and from that indubitable source I have within the last two or three days refreshed my own recollections. Those computations, I find, are capable of being presented in a very simple form. We reckoned that we should gain upon revenue in the interval between 1853 and 1861 in the following proportion:—from new taxes then proposed, including the Succession-tax, 2,549,000*l.*; from lessened charge on account of the National Debt, 1,264,000*l.*; and at the same time we knew that terminable annuities would fall in in 1860 to the amount of 2,146,000*l.* Adding together these three chief sources of relief, they make a sum of 5,959,000*l.*; and this very nearly corresponded with the sum at which the Income-tax, at the rate of 7*d.* in the pound, was estimated for the year 1861. The actual estimate was 6,140,000*l.*, which, with this sum of 5,959,000*l.* to set against it, we should probably, according to the figures shown, have been able to surrender. With regard to these calculations, they have suffered some damage; they have suffered considerable damage from what has since occurred. But that damage is not the cause of our not being able to dispense with the Income-tax. It can be shown demonstrably that this is not the case. The Succession duty failed to produce what we expected of it, partly, or rather mainly, because it was found that by the usual course of succession real property goes in the direct line in a much greater number of cases than personal property; so that if 100,000,000*l.* a year in real and settled property came under the Succession

duty, that amount would not yield the same average of duty as if it had been personal property. I do not now speak of a fact known to the Committee, that with respect to real property only life interest is valued for the tax; but, over and above that, real property descending in the direct line from father to son and grandson pays only 1 per cent. duty. That course of direct descent prevails in a much greater number of instances in real, than in personal property, and consequently, while it has been found that the revenue from this tax attains its *maximum* much more slowly than we anticipated, that *maximum* itself will also be lower. At the present moment, for the year 1860-1, we stand worse than we reckoned in 1853 by 1,000,000*l.* on account of the short coming in the receipt from the succession duty. Besides this, instead of being able to apply an annual surplus of revenue towards the extinction of debt, that surplus has been required by the necessities of war, and its application to the diminution of debt has been entirely stopped for three or four years. That likewise tended to disturb the calculations of 1853. The amount of relief which might have been obtained by using surplus for the extinction of debt may be taken at 320,000*l.* But the most serious item of all was the additional debt contracted on account of the Russian war. It created an additional charge upon us of 1,400,000*l.* per annum. Under these three heads, therefore—the deficiency in the amount of the succession duty, the stoppage of surplus in the revenue applicable to the extinction of debt, and the additional charge created by the Russian war—we stand worse than in 1853 by the sum of 2,720,000*l.* a-year. But, Sir, that sum has been fully compensated from other sources. The experiment I commenced with a timid hand in 1853, of raising the spirit duties, was again followed up

by myself in 1854, and by my successors down to 1858. That increase has added a permanent revenue to the country of probably not less, perhaps even more, than 2,000,000*l.* a year; and if, along with the general productiveness of the revenue, your expenditure had continued to be anything like what it was, you might at this day have done what you pleased with the Income-tax. In 1853 the annual expenditure had for a long series of years undergone no very great increase; and it stood at 52,183,000*l.* To that sum I add on account of the additional debt, 1,400,000*l.* and for the collection of the revenue 4,700,000*l.*; this would make the actual charge for 1860-61 58,283,000*l.* But the estimate of the revenue for the year 1860-61, with the tea duty and the sugar duty each reduced to the *minimum* as fixed for a time of peace, and without any renewal of the Income-tax, is not only 58,283,000*l.*; it is 60,600,000*l.* It is therefore plain beyond all dispute, that if only our expenditure had continued to be stationary, or to rise only at the gentle and hardly perceptible rate of its growth during a quarter of a century before 1853, we should at this moment have been able to dispense with the Income-tax. The figures I have stated show a surplus for the year of 2,317,000*l.*; and the sum for which the outstanding Income-tax enters into the estimate of revenue, is no more than 2,400,000*l.*

And now I need do no more than glance at the true explanation of your altered power. It is to be found simply and entirely in the comparison of the public charge at the respective periods. In 1853 the whole amount voted for Supply Services of every description, and for the Miscellaneous charges on the Consolidated Fund, was 24,279,000*l.*: this sum represented the proportion of the whole public charge or expenditure that was under the general control of Parliament. But in

1860-61, instead of 24,279,000*l.*, these charges amount to 39,000,000*l.*, showing an increase in our expenditure of 14,721,000*l.* This increase is, as nearly as may be, the exact representative of what would be in itself an Income-tax of 13½*d.* in the pound. I ask now, Sir, from my learned friend, whether I have not redeemed my pledge, and fully explained what has become of the calculations of 1853?

Sir, the period at which I address you is a period of so much interest and so much importance that, even at the risk of occupying a few minutes of your time, I wish to dwell a little longer on the subject of public expenditure, because I admit that my statement thus far, though true, and I hope clear, is nevertheless an imperfect statement. It would not be fair to speak of the great increase in the expenditure of the country, without considering the great extension of the means by which that increase is supported. The country is richer than it was in 1853, and that in a degree somewhat astonishing. Permit me to lay before the Committee, as well as I can, a criterion, by which we may arrive at some idea of the truth, with respect to the increase in the wealth, of the country; and then, we can institute a just comparison between the rate of increase in this wealth, and the rate of increase in the public expenditure. The best mode of making an estimate of the rate of increase in the wealth of the country is to resort to the Income-tax. No other criterion is comparable to it; for, though it may not be an exact index of the truth in this matter, in any one year, yet, as between any one period and another, I believe it is an index on which we may safely rely.

But, in taking the Income-tax as a measure of the income of the country, I exclude from the computation two out of the five Schedules of the tax. Schedule C

does not, I think, represent any portion of the wealth of the country in the sense of its productive power. It represents income from the Funds, that is to say, a charge imposed upon the property of the country at large, just as a mortgage is imposed upon a particular estate, and absorbs a portion of its proceeds. Again, Schedule E represents the income of the fraternity to which I myself have the honour at present to belong; it consists in a great degree of the salaries of official persons, that is to say, of Ministers, and others who are receivers of public allowances. This Schedule has undergone a great augmentation; partly I believe by a more correct arrangement, under which a number of salaried persons not in the public service have been transferred to it from Schedule D, and partly from the growth of the incomes derived from the coffers of the State. This growth may, or may not, have been justified by the real demands of the public service; but it cannot in either case be properly viewed as constituting a real augmentation of the wealth of the country. As, however, Schedule E now contains many incomes which were formerly in Schedule D, it is plain that, by excluding it altogether, I am taking a special security for moderation in the figures I am about to present.

But the test of the wealth of the country by comparison must in any case be taken principally from Schedules A, B, and D. The profits derived from lands and tenements, from all real and immoveable property, are included in Schedule A. Schedule B represents the tax levied upon the occupiers of land, and it varies mainly with the amount of rent paid. Schedule D includes the profits derived from trades and professions. I will take two periods; the period from 1842, when we commenced our decisive career of commercial legislation, to the year 1853, when we closed it,—I hope now

to be renewed,—under the pressure of war. I will herewith take the period from 1853-54 down to 1857-58, because this is the last year for which the returns are made up; and I will carry on the computation for two years by estimate, assuming the same rate of increase to have continued for 1858-59 and for 1859-60. Now, the net amount of taxable income shown, on the basis thus described, by these three Schedules of the Income-tax conjointly, is as follows:—In 1842-43, 154,000,000*l.*; in 1853-54, 172,000,000*l.*; in 1857-58, 191,000,000*l.*; and in 1859-60, 200,000,000*l.* The increase in the wealth of the country between the first period and the second was 12 per cent. in eleven years; the increase between 1853 and 1860, as thus estimated, was 16½ per cent. in six years. This calculation undoubtedly shows a very large increase in the wealth of the country. I think it will also be interesting to the Committee to know in what proportions that increase has been distributed between the classes represented by three of the Schedules to which I have referred; for I must say that the statement of particulars is one which throws a very satisfactory light upon the condition of the landed interests, and more especially upon that of our old friend, the farmer. I now take the period from 1853-54 to 1857-58—a period of four years, and these the latest for which we have full returns. I find that during these four years the income under the head of Schedule D, which embraces the profits on trades and professions, grew from 64,974,000*l.* to 70,703,000*l.*, or at the rate of 9 per cent.; while that under the head of Schedule A, which represents real and immovable property, grew from 96,129,000*l.* to 106,972,000*l.*, or at the rate of 11¼ per cent. At the same time Schedule B—which is presumed to represent the profits of the farmer, but which also has no small degree of reference to the rent

of the landlord—grew no less than from 11,123,000*l.* to 13,436,000*l.*, or at the rate of 19 per cent.* That being the case, I rejoice to think that we now live in times when any hon. gentleman may, if he thinks fit, attend an agricultural dinner and congratulate his hearers upon the prosperity of their condition without being considered to offer them an insult. I must at the same time observe, lest I should appear to be representing the condition of this particular class in colours too sanguine, that during the period which elapsed between 1842 and 1853 the case was far different with it, inasmuch as Schedule B exhibited during that time, unfortunately, no increase whatever. A change has since taken place, and I am happy to say it is a change which must be satisfactory in the highest degree to the community at large.

Having thus spoken of the increase of wealth in the country, the Committee will, perhaps, permit me very briefly to compare it with the rate of increase in our expenditure. I shall in the first instance compare the growth of wealth with the total expenditure—that is to say, with the whole State as well as the whole local expenditure, as far as the latter can be ascertained. For the local expenditure of the country is likewise beginning to form a very considerable item in our financial calculations, and it shows a disposition to grow to an extent which makes it well worthy of the serious attention of the Committee. I may, in the first place, state that my right hon. friend the Secretary for the Home Department has been good enough to obtain for me certain returns in connexion with this local expenditure, which are trustworthy as far as they go; although I do not

* It was justly observed in debate at the time, that the union of small farms into large ones had increased the proportion of land brought into charge in Schedule B, and that this should have been noticed. Indeed this comparison of the Schedules is no more than approximate.—*Note in 1863.*

mean that my statements will be literally accurate, as they must in part be founded upon estimate. Well, then, to proceed: the gross expenditure of the State was, in 1842-3, 55,223,000*l.*; and the local expenditure in the three kingdoms was in the same year 13,224,000*l.*; making a total, in round numbers, of 68,500,000*l.* In 1853-4 the total State expenditure was 55,769,000*l.*, or very nearly the same amount as in 1842-3, and the local expenditure 15,819,000*l.*; making together, in round numbers, seventy-one millions and a half, instead of the sixty-eight millions and a half, which was the amount in 1842-3. In the year 1859-60 the gross State expenditure had grown from 55,769,000*l.*, which it was in 1853, to 70,123,000*l.* The local expenditure, no doubt actuated by a spirit of honourable rivalry, had increased in the same period from 15,819,000*l.*, which it was in 1853, to at least 17,458,000*l.*, and probably something more. The total expenditure for the year 1859-60 thus reached 87,697,000*l.* Accordingly, it appears that in the eleven years from 1842-3 to 1853-4 the expenditure of the country under the two comprehensive heads which I have mentioned, increased at the rate of $4\frac{1}{2}$ per cent., nearly the whole of the increase being local, while in the six years which have elapsed between 1853 and 1859 it became much more mercurial, and increased at the rate of $22\frac{1}{2}$ per cent., by far the larger part, and quicker rate, of increase now being imperial.

But in order to bring home to the Committee the real importance of the question which is raised, not so much by the gross amount of the Imperial expenditure, as by that portion of it which is under the control of Parliament, and for which Parliament is responsible, let me take the increase which has occurred during the same period in the expenditure, which has been voted by this House, or which is, for certain miscellaneous purposes,

charged on the Consolidated Fund. The two items which come under this head I shall call optional expenditure, and I may briefly state that they amounted in 1842-3 to 21,487,000*l.*, in 1853-4 to 23,361,000*l.* Thus the increase in this expenditure, which, as I before said, is under the control of Parliament, and whose amount is in the main determined by public opinion, in eleven years amounted to no more than a sum of 1,874,000*l.*, or at the rate of $8\frac{3}{4}$ per cent.; but during the period from 1853 to 1859, a period of six years, it increased from 23,361,000*l.*, at which it had stood in 1853-4, to 36,898,000*l.*, or at the rate of 58 per cent.

Now, therefore, we have at our command a tolerably accurate and tolerably complete comparison, between the rate of growth in the wealth of the country and the increase in its expenditure. Between the years 1842 and 1853 the increase in her wealth was apparently at the rate of 12 per cent., and the growth of her expenditure at the rate of $8\frac{3}{4}$ per cent.; while between 1853 and 1859 the national wealth grew at the rate of $16\frac{1}{2}$; but the public expenditure, so far as it was optional and subject to the action of public opinion, rose upwards at the rate of 58 per cent.

I have troubled the Committee with these particulars, because I deemed it right to invite their attention to what is a subject of vital importance. Without stopping to inquire into the distinction between certain objects to be attained, and carelessness of cost in the methods of attaining them, I will only say the country may be right in the course which she is now taking; but, at all events, that course ought not to be taken blindfold. We ought, on the contrary, to carry along with us a clear knowledge of the proportion which our wealth bears to our expenditure, in order that we may be able to take from time to time a comprehensive view of our financial position, and

have full means of measuring the policy which we ought to adopt. Let me now recall to the recollection of the Committee the fact that our fiscal situation—to borrow a phrase from our neighbours on the other side of the Channel—as it stands is this :

There is what I have described as a deficit of 9,400,000*l.*, the best means of providing for which it becomes our duty to consider ; and we ought not, in my opinion, to face a question of such magnitude as is now before us, without having duly weighed the principles upon which we are to proceed, and the policy on which we mean to act. Now I have already indicated to you a summary Budget which might have the effect of filling up the hiatus which I have mentioned. I have also shadowed out to you another and a more generous Budget, which, providing you with an Income-tax of 1*s.* in the pound, would achieve the same object, and would at the same time enable you to relieve the consumers of tea and sugar to the extent of the remaining portions of the war-duty ; while that more niggardly Budget, which would keep up the duties on tea and sugar, would moreover still leave the country liable to an Income-tax of no less than 9*d.* in the pound.

With what views, then, and upon what principles, are we to face this state of circumstances ? I may at once venture to state frankly that I am not satisfied with the state of the public expenditure, and the too rapid rate of its growth. I trust, therefore, that we mean in a great degree to retrace our steps by watching for, and by turning to account, every opportunity of retrenchment. The process of retracing our steps in such a matter, however, even were it resolved upon and begun, is one which must necessarily be gradual ; for, if it be not pursued with circumspection and with caution, it will serve but to aggravate the very evils which it may be intended to

remove. I assume, therefore, whether the Committee concurs with the Government in the expediency of the Estimates which they have submitted, or are about to submit to the House, with a due regard to the present demands of the public service and of the national feeling, or whether it does not, still that you in either case can effect no radical change in the scale of that expenditure on which you have now, for a series of years, embarked—no radical change, I mean, applicable to the operations of the present year, or to the provision you will have to make for filling up the gap which yawns before you, and which is represented by the figures 9,400,000*l*. There is a further question with which we have to deal; it is, whether we ought upon this occasion to say our necessities are too great, our means too narrow, to enable us to effect any commercial reforms. Such reforms are all very well, it may be contended, for seasons of fine weather, but they do not suit a period of pressure, perhaps even of alarm. That is, I know, a favourite doctrine with some classes; but against the justice of that doctrine I, for one, protest. It was not at a period of financial ease that they were commenced in 1842. And upon the part of the Government I do not hesitate to say that, at an epoch so marked and signal in our financial history as the year 1860, it is their opinion that it is the duty of Parliament to take some onward steps in that career of commercial improvement which, perhaps more than any other cause, has contributed to confirm the prosperity of the country, and the security of its institutions, under the auspices of the Sovereign beneath whose rule it is our happiness to live.

There are in the present year special reasons why we should pursue such a policy as that to which I refer. The first of these I find in the cessation of the Long Annuities. Are we to be told that when a sum of

2,000,000*l.* and upwards annually, which we have hitherto been obliged to pay on the National Debt, comes into our possession, it only remains for us to cast it into that great gulf of expenditure, there to be swallowed up and to disappear? That sum is mighty as an engine for the purposes of relief, while for the purposes of expenditure, such as expenditure is now, it is comparatively unimportant. Applied to the purposes of relief, you may by its means shed a thousand blessings over the land; thrown into the scale of our expenditure it represents, after all, but the difference between the 13,000,000*l.* which we have already added to that expenditure and the 11,000,000*l.* which we might have added without its aid. The next of these reasons is to be found in the state of the Tea and Sugar Duties. They have continued to be levied for three years at a rate exceeding that which was fixed for time of peace, and this even while the Income-tax was allowed to sink to 5*d.* I do not say that we are bound to choose these particular duties for reduction, unless we find that a reduction of them will be the best of all the reductions that may be within our choice; but I do confidently urge that the position of these duties offers a strong reason why we should endeavour to afford on this occasion a considerable relief, and if we can give attention to the claims of the people, as well as to the claims of trade, on which the prosperity of all classes mainly depends. There is yet another special reason. It is my intention before sitting down to propose to the Committee that they shall apply in aid of the expenditure of the year a sum of not less than 1,400,000*l.*, which is no part of the proposed taxation of the year, but which will be obtained by rendering available another portion of the malt credit, and likewise the credit usually given on hops. That may under our

present circumstances be a salutary measure ; but if we are employing in aid of the year extraordinary resources, which form no part of its public burdens, that is a reason why we should not confine our views to the twelvemonth immediately before us, but should also include in its arrangements special benefits, and make use of the means thus supplied to us for carrying forward the great work of public improvement in the condition and in the permanent resources and revenue of the country.

But, Sir, I am not satisfied to place this duty on narrow grounds of whatever kind. It is not simply because annuities are falling in,—it is not simply because we have at the moment considerable funds to be drawn from this source or that. We must look at the question from another point of view. We must take it for granted that for the present we have attained to what may be called a high level of public expenditure, and that we are likely to remain on that high level for some time at least. Is that a reason, or is it not, why we should arrest the process of reforming the commercial legislation of the country? I say that is no reason for stopping—I say more, it is a distinct reason for persevering in that process, and for carrying it boldly and steadily to its completion. Let us, however, glance for a moment at our position. If we were, in the year 1860, to hold our hands, let us consider what aspect our procedure would bear. For seven years, under the pressure of war and of demands for increased expenditure, we have intermitted the course of commercial improvement on which we had entered with such advantage. We have now arrived at a year of unexampled financial relief as regards the charge of the public Debt, a year of which the ways and means will be enlarged by special resources, and a year which

obliges us to reconsider the existing duties on tea and sugar. If, after such a period of years, on a review of a juncture like the present, we stop in 1860, will it not be supposed that our work is in our view at an end, and that we stop for ever? In truth, if this be not a fitting opportunity for endeavouring to give increased effect to the beneficial principles of your legislation, I, for one, must frankly own I know not when such an opportunity will arise. But, Sir, I come now to the broader view of the truth of the case. Our high taxation is not a reason for stopping short in our commercial reforms; it is, when largely viewed, rather a reason why we should persevere in them. For it is by means of these very reforms that we are enabled to bear high taxation. What, I ask, has the country done during the last six months? It has paid an Income-tax, which during the half-year was at the rate of 1s. 1d. in the pound. Would that tax, so suddenly imposed, have been borne as it has been borne without discontent, but for the strength which the country has derived from the recent commercial legislation, and the confidence of the nation in the integrity and wisdom of Parliament? In stating that this great and sudden augmentation of the Income-tax has been borne without discontent [an hon. member, hear, hear!] I speak in general terms. Indeed, I now remember that I myself had about a fortnight ago a letter addressed to me, complaining of the monstrous injustice and iniquity of the Income-tax, and proposing that, in consideration thereof, the CHANCELLOR OF THE EXCHEQUER should be publicly hanged. Of course I do not mean to say there has in no individual case been a murmur; but upon the whole, speaking with the necessary latitude that must attach to general expressions, I am justified in saying that this high rate of taxation has been borne throughout the country with a

most remarkable, and not less laudable and honourable forbearance. It was, I think, Lord Londonderry who complained of the people of England as exhibiting an 'ignorant impatience of taxation;' but I think, were he to rise from the dead and again take his place in this House, he would be very much more likely to describe them as distinguished by an ignorant patience of taxation.

I wish, however, Sir, to show more particularly the connexion that subsists between commercial reforms, as affecting trade and industry, and the power to pay the high taxes you have imposed. These two subjects are inseparably locked the one in the other. You shall have the demonstration in figures. I again ask you for a moment to attend with me to the experience of two periods. I take the 10 years from 1832, the crisis of the Reform Bill, down to 1841, during which our commercial legislation was upon the whole stationary; and I take the 12 years from 1842 to 1853, within the circuit of which are comprehended, generally, the great and beneficial changes that Parliament has made. In the 10 years from 1832 to 1841 this was the state of things. We imposed of Customs and Excise duties 2,067,000*l.*, and you remitted 3,385,000*l.*, exhibiting a balance remitted over and above what you imposed of 1,317,000*l.*, or at the rate of no more than 131,000*l.* a-year. Now, observe the effect on the state of the revenue. During these 10 years the Customs and Excise increased by 1,707,000*l.*, or at the rate of no more than 170,000*l.* a-year; while the increase of the export trade was 15,156,000*l.*, or at the annual rate of 1,515,000*l.* Let us next take the 12 years from 1842 to 1853. You remitted during that period of Customs and Excise 13,238,000*l.*, and imposed 1,029,000*l.*, presenting a balance remitted of 12,209,000*l.*, or an annual average

of 1,017,000*l*. What was the effect on the revenue? The aggregate proceeds of the Customs and Excise increased by 2,656,000*l*., or at an annual rate of 221,000*l*. When you remitted practically nothing, your Customs revenue, in consequence of the increase of the population, grew at the rate of 170,000*l*. per annum; and when you remitted 1,017,000*l*. a-year, your Customs and Excise revenue grew faster than when you remitted nothing, or next to nothing at all. I ask, is not this a conclusive proof that it is in a great degree the relaxation and reform of your commercial system, which has given to the country the disposition to pay taxes along with the power also which it now possesses to support them? And as to the foreign trade of the country during the same period, instead of growing at the rate of 1,515,000*l*. a-year, it grew at the rate of 4,304,000*l*. I conclude, then, Sir, without hesitation, that it is the duty of the Legislature, both on account of the special circumstances of the juncture and likewise, and still more on the broad ground of general and comprehensive principle, at this time to make considerable remissions; and if that be so, the next question is, on what principle we should make them.

When we have arrived at this stage of the question, the subject of the tea and sugar duties may naturally occur to the mind of every one as having a presumptive claim, at any rate, to the first consideration. I am bound, however, to say that these are not the subjects on which it has appeared to the Government that they might operate with the greatest advantage. No doubt the duties on tea and sugar are taxes most desirable to be reduced. They are harmless and beneficial articles, and they are articles of universal consumption; and I trust the time may arrive, and arrive at no distant date, when we may be able to recur to our former standard

in regard to these taxes. But, on the other hand, there never was a time when the people were so well able to pay these taxes as now. The increase in the consumption of these articles is regular, and the revenue is a growing revenue. If we are to have a very large scale of expenditure and a very high income-tax, I cannot think that, while the bulk of the burden should unquestionably fall on the shoulders of those possessed of property, it is otherwise than desirable that the labouring classes should also bear their share of the burden in a form in which it will be palpable and intelligible to them, rather than in forms in which it will be veiled from their eyes. But, Sir, I take my stand more especially on this consideration; the duties on tea and sugar, whatever else they may be, are simply revenue duties. They entail no complexity in the system of Customs law; above all, they entail none of the evils that belong to differential duties; and I will by and by invite you to join the Government in adopting measures whereby you will be able to counteract and root out mischiefs of that peculiar and aggravated kind, as well as to give relief in the price of commodities. But I do not hesitate to say that it is a mistake to suppose that the best mode of giving benefit to the labouring classes is simply to operate on the articles consumed by them. If you want to do them the *maximum* of good, you should rather operate on the articles which give them the *maximum* of employment. What is it that has brought about the great change in their position of late years? Not the mere fact that you have legislated here and there for the purpose of taking off 1*d.* or 2*d.* in the pound from some article consumed by the labouring classes. This is good as far as it goes; but it is not this which has been mainly operative in bettering their condition as it has been bettered

during the last 10 or 15 years. It is that you have set more free the general course of trade; it is that you have put in action the emancipating process, that gives them the widest field and the highest rate of remuneration for their labour. Take the great change in the corn laws; it may even possibly be doubted whether, up to this time, you have given them cheaper bread; at best it has been but a trifle cheaper than before; that change, however, is one material indeed, yet, it may almost be said, comparatively immaterial; but you have created a regular and steady trade in corn, which may be stated at 15,000,000*l.* a year; by that trade you have created a corresponding demand for the commodities of which they are the producers, their labour being an essential and principal element in their production, and it is the enhanced price their labour thus brings, even more than the cheapened price of commodities, that forms the main benefit they receive. That is the principle of a sound political economy applicable to commercial legislation; and that is the principle, on which we will to-night invite the Committee to proceed.

I may simply state, therefore, in passing, in regard to the tea and sugar duties, that we shall ask Parliament to renew them; not to renew them for any lengthened period, but only for one year, with the further addition of three months till July, 1861; an addition, for which we shall ask on the simple ground that the 1st of April is an inconvenient period, as it restricts too much the period of the session, within which Parliament has to consider the question.

Sir J. PAKINGTON.—You propose to leave the duties as they are?

The CHANCELLOR of the EXCHEQUER.—I mean to ask for the duties precisely as they now stand; that is, the present duty of 1*s.* 5*d.* per lb. on tea; and the pre-

sent duties on sugar, which are classified at various rates on the various descriptions, but which may be represented on the whole as being about 3*s.* per cwt. above the *minimum* point at which they stood by law in 1853-4.

Having thus far stated to the Committee the conviction of the Government that we ought to have remissions, and large remissions of duty—and further that we ought to have those particular remissions, in preference to all others, by which we may most effectually act upon the trade and commerce of the country, and upon the demand for the labour of the people—I come now to the question of the Commercial Treaty with France. And, Sir, I will at once confidently recommend the adoption of the Treaty to the Committee, as fulfilling and satisfying all the conditions of the most beneficial kind of change in our commercial legislation.

But, perhaps, Sir, as the Committee has not yet had an opportunity of reading the instrument itself, it may be convenient that I should in the first place state to them very briefly its principal covenants. First, I will take the engagements of France. France engages to reduce the duty on English coal and coke from the 1st of July, 1860; on bar and pig-iron and steel from the 1st of October, 1860; on tools and machinery from the 1st of December, 1860; and on yarns and goods in flax and hemp, including I believe jute,—this last an article comparatively new in commerce, but one in which a great and very just interest is felt in some great trading districts,—from the 1st of June, 1861. That is the first important engagement into which France enters. Her second and greater engagement is postponed to the 1st of October, 1861. I think it is probably in the knowledge of the Committee that this postponement is stipulated under a pledge given by

the Government of France to the classes who, there as here, have supposed themselves to be interested in the maintenance of prohibition. On the 1st of October, then, in the year 1861, France engages to reduce the duties, and to take away the prohibitions, on all the articles of British production mentioned in a certain list, in such a manner that no duty upon any one of those articles shall thereafter exceed 30 per cent. *ad valorem*. I do not speak of articles of food, which do not materially enter into the Treaty; but the list to which I refer, Sir, includes all the staples of British manufacture, whether of yarns, flax, hemp, hair, wool, silk; or cotton—all manufactures of skins, leather, bark, wood; iron and all other metals; glass, stoneware, earthenware, and porcelain. I will not go through the whole list; it is indeed needless, for I am not aware of any great or material article that is omitted. France also engages to commute these *ad valorem* duties into rated duties by a separate Convention, to be framed for the purpose of giving effect to the terms I have described. But if there should be a disagreement as to the terms on which they shall be rated under the Convention, then the *maximum*, chargeable on every class at 30 per cent. *ad valorem*, will be levied at the proper period, not in the form of rated duty, but upon the value; and the value will be determined by the process now in use in the English Customs. That is to say, the importer will declare the value, and it will be in the option of the Custom-house authorities in France to appropriate the article upon paying the price which he has so declared, only with a percentage added, for the fair protection of the Government. And I must say that I hold it to be a signal proof of earnestness and liberality on the part of that Government that it has introduced this administrative regulation into its code, borrowed, as I

believe, from our own, for the purpose of disarming suspicion, and insuring and guaranteeing the efficacious execution of the Treaty. There is a further provision, Sir, that the *maximum* of 30 per cent. shall, after a period not exceeding three years, be reduced to a *maximum* of 25 per cent.

And I may be permitted to remind the Committee that this rule of 30 per cent., to which France is nominally about to pass over from a system of prohibition, is the very rule which was adopted, nominally adopted, by the British Parliament when Mr. Huskisson was our Minister for Trade, and when we first set about making important commercial relaxations. But there is, I am bound to say, this difference between the two cases. When the rule was adopted in England, it was accompanied with such modes of application, that duties far exceeding 30 per cent. were in a multitude of instances, nay, are, perhaps, in some instances even to this day, kept alive; whereas, if the terms of this instrument can, as I am confident they may, be relied on, France has, I think, given us an effective security that 30 per cent. will really be the *maximum*. And I need hardly observe that if this be the *maximum*, then, with a system of rated duties, it must happen that, in a great multitude of instances, the duties will be much below that rate on the various classes of our manufactured goods.

I come next, Sir, to the English covenants. England engages, with a limited power of exception, which we propose to exercise with respect only to two or three articles, to abolish immediately and totally all duties upon all manufactured goods. There will be a sweep, summary, entire, and absolute, of what are known as manufactured goods from the face of the British Tariff. Further, England engages to reduce the duty on brandy from 15s. per gallon to the level of the colonial duty,

viz., 8s. 2d. per gallon. She engages to reduce immediately the duty on foreign wine. In the Treaty it is, of course, French wine which is specified; but it is perfectly understood between France and ourselves that we proceed with regard to the commodities of all countries alike. England engages, then, to reduce the duty on wine, from a rate nearly reaching 5s. 10d. per gallon, to 3s. per gallon. She engages, besides a present reduction, further to reduce that duty from the 1st of April, 1861, to a scale which has reference to the strength of the wine, as measured by the quantity of spirit it contains. That scale will be as follows:—On all wines in bottle, whatever the strength, and on all wines having 26 degrees and upwards of proof spirit, 2s. per gallon; on wine having 15 and under 26 degrees of proof, 1s. 6d. per gallon; and on wine with less than 15 degrees, 1s. per gallon. The maximum of forty degrees proof, beyond which no liquid is admissible as wine, will remain without change. A power is also reserved to us of increasing our duty on wine, in case we should increase our duty of Excise chargeable on British spirits. We have also reserved a general power of augmenting or imposing any duties upon purely fiscal considerations. The exercise of this power is subject to the condition, that we shall not charge upon any article of French production a greater sum than may be equal to the corresponding duty on the same article of domestic production, together with an allowance for any extra and further charges to which the English producer may be put in consequence of the necessary regulations of our Inland Revenue Department.

These, Sir, are the chief covenants on the part of England. There are also provisions by which both parties reserve to themselves power to place Customs

duties anew on any foreign articles whatsoever, provided they place the same duties on the like articles of domestic production. They likewise agree to treat each other on the same terms as the most favoured nations, with respect to all the matters comprised in the Treaty, and with respect to all prohibitions. Lastly, all the articles of the Treaty are to continue in operation for a period of ten years, with a provision requiring that notice be given in the event of any desire for their revision at the close of the period.

These, then, are the principal stipulations of the Treaty with France, which may have been seen by honourable members in one form or another, but which have not collectively, or upon authority, as yet met the public eye. I will not affect to be unaware, that many objections have been stated to this Treaty. It has even been said that its terms indicate a subserviency to France, and involve a sacrifice of British interests to those of foreign nations, or of a foreign Government. Sir, I am thankful to think that no Ministry, be its own merits or be the distinction of its chief what they may, can in this country hold office for a single session upon terms involving subserviency to any foreign Power whatever. There is with us a perfect security for the honour of the country (to omit all mention of any other guarantees), in the nature and in the traditions of the two Houses of Parliament. But, Sir, I know not what is meant by subserviency to France, as regards the articles of a Treaty like this. We have given to France in the proper sense of the term, nothing by this Treaty, if I except some apparent, but very trifling, fiscal sacrifice which we are to make with respect to the single article of brandy. I mean that it might perhaps not be necessary for our own purposes to reduce the duty to quite so low a point as is fixed by the Treaty, and

therefore there might be a question whether in that form there may be a concession of some infinitesimal advantage. But, with that small and I believe solitary exception, we have given nothing to France by this Treaty, which we have not given with as liberal a hand to ourselves. And the changes here proposed are changes, every one of which deserves the acceptance of this House on its own merits, in conformity with all the principles that have been recognised and acted upon, for many years past, by the legislature.

But further, Sir, as respects the charge of subserviency to France, I know that this Treaty may be said to bear a political character. The commercial relations of England with France have always borne a political character. What is the history of the system of prohibitions, on the one side and on the other, which grew up between this country and France? It was simply this :—That finding yourselves in political estrangement from her at the time of the Revolution, you followed up and confirmed that estrangement, both on the one side and the other, by a system of prohibitory duties. And I do not deny that it was effectual for its end. I do not mean for its economical end. Economically it may, I admit, have been detrimental enough to both countries; but for its political end it was effectual. It is because it was effectual, that I call upon you to legislate now for an opposite aim by the exact reverse of that process. And if you desire to knit together in amity those two great nations, whose conflicts have so often shaken the world, undo for your purpose that which your fathers did for their purpose, and pursue with equal intelligence and consistency an end that is more beneficial.

I do not forget, Sir, that there was once a time, when close relations of amity were established between the Governments of England and France. It was in the

reign of the later Stuarts; it marks a dark spot in our annals; but the spot is dark, because the union was an union formed in a spirit of domineering ambition on the one side, and of base and most corrupt servility on the other. But that, Sir, was not an union of the nations; it was an union of the Governments. This is not to be an union of the Governments apart from the countries; it is, as we hope, to be an union of the nations themselves; and I confidently say again, as I have already ventured to say in this House, that there never can be any union between the nations of England and France except an union beneficial to the world, because directly that either the one or the other of the two begins to harbour schemes of selfish aggrandizement, that moment the jealousy of its neighbour will be aroused, and will beget a powerful reaction; and the very fact of their being in harmony will of itself be at all times the most conclusive proof that neither of them can be engaged in meditating anything which is dangerous to Europe.

There is another class of objections of which I do not complain, but which, nevertheless, I hope to remove. There are those who say, that a commercial treaty is an abandonment of the principles of Free Trade. Well, certainly a commercial treaty would be an abandonment of the principles of Free Trade, in the latitude in which we now employ that phrase, if it involved the recognition of exclusive privileges, or if it were founded on what I may call haggling exchanges. In this sense I admit that Mr. Pitt's commercial treaty would, if we had now adopted it in the precise terms in which it was expressed, have been on our part, if not an abandonment of Free Trade, yet a retrogression rather than an advance; but, at the same time, I cannot mention that treaty without saying that I think it was, for the time

at which it was made, one of the very best and one of the very wisest measures ever adopted by Parliament, and that it has contributed at least as much as any other passage of his brilliant career to the fame of the great statesman who introduced it. We, however, have no exclusive engagements; we have not the pretence of an exclusive engagement. France is perfectly aware, that our legislation makes no distinction between one nation and another, and that what we enact for her we shall at the same time enact for all the world. Nor have we affected to be undertaking burdens in exchange for benefits; we have dealt with the stipulations of the Treaty, subject to the slight exception that I named, as being on both sides only benefit throughout.

I am, however, a little surprised at the number and variety of these objections, which come rushing from all quarters. It is like the ancient explanation of the physical cause of a storm; which taught, by the poet's mouth, that all the winds, north, east, west, and south, came rushing together upon a single point:—

‘Unà Eurusque Notusque ruunt, creberque procellis
Africus.’

Sometimes we are told that a treaty is an obsolete and antiquated idea; sometimes, that it is a dangerous innovation. In the view of one class, it is an abandonment of Free Trade. There are also men of another class, holding opinions diametrically at variance with these; and they are gentlemen, with whom we shall have much difficulty in dealing. These are they who find fault with it—and that I must say is by far the soundest objection, inasmuch as it is unquestionably founded on the facts—because it is an abandonment of the principle of Protection. This Treaty is an abandonment of the principle of Protection. I am not aware of any entangling engagement which it contains; it certainly contains no

exclusive privilege; but it is an abandonment of the principle of Protection, and a means, I hope tolerably complete and efficacious, of sweeping from the Statute-book the chief among such relics of that miscalled system, as still remain upon it. The fact is, and you will presently see how truly it is so, that our old friend Protection, who used formerly to dwell in the palaces and the high places of the land, and who was dislodged from them some ten or fifteen years ago, has, since that period, still found pretty comfortable shelter and good living in holes and corners; and you are now invited, if you will have the goodness to concur in the operation, to see whether you cannot likewise eject him from those holes and corners. I have stated, that we propose to remove the duty from all manufactured goods. Now, Sir, there is hardly one of that class of rates set out in our Tariff which is not, in point of fact, the representative of a strictly protective duty; nay more—and mark my words,—in many cases they represent a duty, which is practically prohibitory.

Perhaps the best method of giving a summary view of the case will be, that I should at once state to the Committee what will be the financial results of the Treaty as it stands. I will not, however, enter into any of the smaller details, but will take three branches of reduction only; the reduction of the duty upon wine, the reduction of the duty upon brandy, and the abolition of the duties upon manufactured goods. The reduction of the duty upon wine from 5*s.* 10*d.* to 3*s.* per gallon will afford to the consumer a relief amounting to 830,000*l.*, and will entail upon the revenue, after allowing for an increase of consumption to the extent of 35 per cent., a loss of 515,000*l.* The reduction of the duty upon brandy from 15*s.* to 8*s.* 2*d.* a gallon will give to the consumer a relief of 446,000*l.*, and, if we may assume that the consumption will be raised to the

point at which it stood in 1850, just before the disease of the vine commenced, it will cause a loss of 225,000*l.* to the revenue. Before I give the chief items of manufactured goods, I will mention some minor cases, with which we propose to deal, for the time, by way of exception. There are three small articles, the abolition of the duties on which we propose to postpone for a short period, in the meantime reducing it by one-half. One of them is the article of cork, which has been the subject of a great deal of debate in this House. I must say that although there never was a stronger apparent case made out for protection, and although, in consequence of the measures which were adopted, there has been a considerable shock to the trade, and a considerable change in its nature and in the course which it takes, the House has nothing to repent in this instance. On the contrary, the total consumption of cork wood in the domestic manufacture is much larger now, than it was before the duty was reduced. On account, however, of the importance of the present transition to a system of entire freedom, we propose to allow time until the 1st of April, 1861, for the remission of the duty on cork; and we also propose a delay of the final changes affecting two other trades, upon the simple ground that they are trades carried on almost entirely by widely-diffused rural labour, to which it may not be thought desirable to give a sudden shock. These are first the glove trade, and secondly the trade in straw plaiting. In the meantime the duties will be reduced. Next year they will be entirely taken off.

I pass now to state the mode, in which the Treaty deals with manufactured goods in general. The amount of duty now levied on these articles, which will be abolished, is no less than 432,000*l.* The principal articles are these: silk manufactures, which yield

270,000*l.*; gloves, subject to a short delay, 48,000*l.*; artificial flowers, 20,000*l.*; watches, 15,000*l.*; certain oils, 10,000*l.*; musical instruments, 9000*l.*; leather, 9000*l.*; china, 8000*l.*; glass, 7000*l.*; and many others yielding smaller amounts. There are a great number of minor articles of industry produced largely in France, especially in Paris. On all of these, along with other articles, we propose to abolish the duties that now exist. The total relief to the consumer—that is the gross amount of duty remitted under the French Treaty—will be 1,737,000*l.*; the loss to the revenue for the first year will probably be 1,190,000*l.* Now, Sir, the objections which are taken to this Treaty in the interests of free trade will, I am quite sure, not be very long-lived; but there is one objection which turns upon another point, and with which I must endeavour to deal. It is that which tells us that the duties we are about to repeal are, forsooth, revenue duties, and duties which are levied upon luxuries, but duties which do not affect the poor man. Compassion for the poor man is a very fine feeling; and I should be very sorry to say anything that appeared to depreciate or undervalue so sacred a sentiment; but I must say that it is entirely out of place in the present instance. There is not one of these duties, that is a duty imposed for revenue; no, not one of them. How they work with respect to poor men, how they work with respect to those who are not rich men, we will presently inquire. But if these are revenue duties, it is very curious to notice which are the classes that are alarmed at the Treaty. Are the manufacturers of British brandy the guardians of the British revenue? Are the importers of Cape wines the guardians of the British revenue? Have the manufacturers of British wines a peculiar interest in the well-being of the Exchequer? The manufacturers of Spitalfields, and

those of Coventry, who have an incomparable organ in my right hon. friend (Mr. Ellice), are most excellent citizens, and no doubt contribute faithfully their share to the revenue; but my right hon. friend will not tell me that their great activity, and the speed wherewith they have rushed to London, and urged their representations upon this subject, has arisen from their interest in the British revenue. It has arisen from something very different, and much more their own concern. These gentlemen do not enter my room to tell me, that they come there as the guardians of the British revenue; they tell a much more simple, and a much more intelligible tale. They say this—that the duties which now stand upon your Tariff are, and it is perfectly true, levied upon articles consumed by the rich. But why are they not levied upon articles consumed by the middle, the lower middle class, and the poor? Because they will not let in such commodities; because they are prohibitory as against those articles. That is the simple explanation of the whole case. Our manufacturers give over to the producers of France, speaking generally, the supply of goods of the highest qualities; and under cover of duties, which are as good for their purpose as prohibitions, they reserve for themselves the supply of the lower qualities, and the power of exacting from the British consumer, in numerous instances, a higher price, than they will be able to obtain if this Treaty is confirmed by Parliament. I took the liberty of saying to one of the deputations, ‘It seems to me this is much the case of the corn law over again.’ Now do not let there be any mistake. What is wanted is, a higher price for certain goods, than that at which the public can get the same goods from France. That is the Alpha and Omega, the beginning and the end of the whole affair. I asked then, ‘Is not this the case of the corn law?’ The

answer was, ‘Oh dear no; not the least like the corn law.’ In fact, there is generally, on the part of the most respectable classes, a very natural desire, which we can neither wonder at nor blame, for the special protection of their own business. They show that though they are without exception adherents of free trade, they are not adherents of free trade without exception. They make no secret of it, nor should there be any secret made of it here, that the duties in which they take an interest are not revenue duties but are protective duties, and for that very reason duties ill adapted for the purposes of revenue.

Let us now, Sir, proceed to consider some of the circumstances which have rendered it allowable and desirable, in the view of Her Majesty’s advisers, to make a special arrangement between two great countries in this case. I entreat the Committee to look at the present state of the trade between England and France; it is not a little instructive. Consider, in the first place, the relative positions of England and France. It is perfectly true, that France is a foreign country, but she is a foreign country separated from you absolutely by a narrower channel than that which divides you from Ireland; and while nature, or Providence rather, has placed you in the closest proximity, the same wise agency has also given to these two great countries such diversities of soil, climate, products, and character, that I do not believe you can find, on the face of the world, two other countries, which are so admirably constituted for carrying on a beneficial and extended commerce with one another. I believe, indeed, that the prohibitory system subsisting between England and France is but little less unnatural, as to every commercial—I think I may add as to every moral and political—result, than if you were to revive those prohibitory systems

which formerly separated England from Scotland, and Great Britain from Ireland.

But I shall be told, perhaps, that our system is not prohibitory. And certainly in respect of many articles the statement is a true one, for we have considerable importations from France; but when I remember how much we still practically prohibit, I have no hesitation in saying that, although our system is far better than that of France, yet, on the other hand, it is far indeed from being what it ought to be. And now let us look for a moment at the question on the French side. The doctrine is that we should attend to our own interests, and leave France to manage hers. What, then, is the state of the trade as regards France? In 1858 the total value of exports from England to France—not of British exports only, but exports of whatever origin—was 14,821,000*l*. Of that amount, the home consumption in France took 10,465,000*l*. A portion of the articles are unenumerated, and I cannot get at the details; but I have obtained the particulars of the articles sent, up to the value of 9,819,000*l*., about nineteen-twentieths of the whole. Now let us observe how they are distributed. Of this large proportion of the goods sent to France in 1858, amounting to 9,819,000*l*., more than four-fifths, or 8,070,000*l*., were raw materials, upon which none of our manufacturing labour had been directly employed, and the great bulk of which were not of British origin, but had simply passed through our warehouses; of the remainder, 1,060,000*l*. were half-manufactured articles. The total amount of British manufactures, which we send abroad every year, is about 130,000,000*l*.; but in 1858 our exports of manufactured goods to France were only 688,000*l*. These figures are, I think, sufficiently remarkable; but it is worth while to go yet one step further in the analysis. Of that small sum of 688,000*l*., 208,000*l*.

were for Cashmere shawls, which merely came here in transit, and 217,000*l.* more were for machinery, which our friends over the water have long been pleased to admit under some notion of special advantage. The entire value of all other manufactured articles sent from the United Kingdom to France was 263,000*l.*, or about one five-hundredth part of our total exports. Now, Sir, I want to know whether that is a state of things so satisfactory, that when we have an opportunity of amending it we should refuse to do so? I understand the statement of the moderate free-trader, who says that half a loaf is better than no bread, that all breaking down of restrictions is good, and that it is wiser to break down our own restrictions and leave those of our neighbour standing if we cannot touch the latter, than to perpetuate both. That is true and reasonable; but I cannot understand those immoderate and unmanageable free-traders who come from other quarters, many of whom have not long been thus fastidious and jealous on behalf of free trade in its most rigid purity, and who seem to think it is a positive evil that we should offer any inducement to our neighbours to break down their restrictions. They do not see that what they condemn is a clear doubling of the benefit. They seem to think there is a chivalry in free trade, and that its escutcheon will be tarnished if it becomes a matter of bargain, whereas it appears to me that we need not start at the mere name, for bargain is after all the true end and aim of the whole. The only reason why we have not made bargains similar to the present in former years, was simply because we could not make them. It was not for want of trying. For four or five years this was almost the chief business of one or more departments of the State, and yet no progress could be made. Why? Because we then set out upon a false principle,—we

argued the matter as if the concessions which each party made to the other were not a benefit but an injury to itself. We have not now proceeded upon that principle. We have never pretended to France that we were going to inflict injury upon ourselves. We have simply offered France our best aid in breaking down her own vicious prohibitory system. In doing so, we may have given a greater benefit to France than to ourselves. I shall not attempt to measure the comparative good to be reaped as between one side and the other. What we have done is good—nay, doubly good ; good for ourselves if France had done nothing at all, doubly good because France has done a great deal.

And now, Sir, one word upon our exports to France at a former period. About twenty years ago there was a trade in English manufactured goods with France. It was in linen and linen yarns. In 1842, we greatly reduced our table of Customs duties, not by treaty, and independently of France, but in such a manner as greatly to extend our trade. How did that country reply to us ? France was under a very friendly Government at the time ; but how did she meet the extensive changes we had made in favour of her commerce ? She met it, by smiting this single branch of trade in British manufactures with prohibitory duties. She raised her duties upon linen yarn, which before 1842 had been from 9 to 12 per cent., to rates from 13 to 27 per cent. Her duties upon linen cloths, which before 1842 had been from 15 to 23 per cent., were increased to rates from 20 to 36 per cent. The result may be anticipated. In 1841 we sent to France linen and linen yarns to the amount of 1,090,127*l.*, whereas in 1858 we sent only 151,483*l.* Such is the state of trade between England and France ; and I confess I am not so well satisfied with it as not to think that it admits of some improvement. As an

honourable friend whom I see opposite cautiously said the other day with respect to our wine duties, so I say of our trade with France, it is not in the 'best possible' state, but, on the contrary, it may be amended with advantage; nay, it cries aloud for amendment.

I have promised, however, to show what is the real meaning of the allegation urged against the Treaty, that we are here dealing with revenue duties. Take the article of brandy. I presume nobody will pretend that a duty of 15s. upon French brandy, compared with a duty of 8s. on British spirits, is a duty imposed for revenue. There is indeed an article manufactured in this country, which some of us may have been happy or unhappy enough to taste. It is called British brandy. In consequence of the immense price to which French brandy is raised by our duty, which has the effect not only of raising the price of the best French brandies, but of excluding entirely everything but the superior French brandies, our middling and indifferent British brandy comes into the place, which is kept empty for it by means of the prohibitory power of our duty. As far as brandy is concerned, therefore, we are not dealing with revenue duties. Can we, then, regard the duties upon silk and wine as revenue duties? The mystery of the wine duty is a very deep one. Here especially we are met by the cry, that wine is the rich man's luxury. It is the rich man's luxury; but I shall show presently that those who are not rich are making considerable struggles to get at it, and that, too, with some limited and qualified success, but under grievous discouragement from the present law. But wine, forsooth, is the rich man's luxury. Is tea the rich man's luxury? No. It is the poor man's, and, above all, the poor woman's luxury. But I speak in the year 1860. In 1760, tea, too, was the rich man's luxury. In 1760 there was no more

of tea consumed, per head of the population, than there is of wine now. In 1760 there were 4,000,000 lb. of tea consumed; now the annual consumption is 76,000,000 lb. The price of tea, which is now sold at 3s. per lb., was somewhere about that time advertised by the cheap houses at the price of 1*l.* per lb. Wine is the rich man's luxury; and you may make tea, or sugar, or any other article of consumption, the rich man's luxury, if you only put on it a sufficient weight of duty. By that means you will not only effectually bar the access of the poor man to it, but will reserve to yourselves the proud satisfaction of saying at least with literal truth, 'Our indirect taxes are paid by the rich; none of them are levied upon articles consumed by the poor.'

Let us consider now the necessary operation, upon an article like wine, of an uniform rate of duty. Wine, I suppose, more than almost anything else that is produced from the earth by the labour of man, varies in quality and price. It is not too much, it is, perhaps, too little, to say that the price of wine runs from 1 up to 100. Upon all qualities of wine we lay the same rate of duty. What is the effect? That we tax even the highest wines somewhat heavily; the next to the highest we tax very heavily indeed, and all wines, except only those limited classes, we in effect totally and absolutely prohibit. Let me give one illustration from a case simpler than that of wine, which very clearly explains how this matter stands; and let me thus dispose, once for all, of the notion that we are dealing with revenue duties, laid upon the luxuries of a class, and not upon articles wanted for the consumption of the poor. It is the very simple case of gloves. It was stated to me by a most intelligent and respectable deputation, who, as became them, made no secret at all about the matter they had in view. Our import duty upon gloves is 3s. 8*d.* a-dozen. We

imported in 1859 about 300,000 dozen. The value of the gloves we import is about 24s. a-dozen wholesale ; the retail price of such articles probably ranges from 30s. to 36s. and upwards. Our duty is something like 15 per cent., which seems very moderate, and enables those who are so disposed to say, 'Ah! we do not discourage the importation of French gloves; we merely lay upon them a duty of 15 per cent.; and this is simply for the sake of revenue.' How does this work? It works in this way, that it causes the French to furnish us with the finer qualities of gloves, while they leave to the British producer the supply of the poorer or cheaper qualities. Abolish the duty, and you will find that a quantity of gloves may be imported from France, Naples, Germany, and Belgium. They will not be gloves at 24s. a-dozen, but gloves at 18s., 15s., 10s.; nay, even, as I am informed, at 6s. a-dozen. These lesser-priced gloves cannot pay the duty; for the duty, when applied to gloves of 10s. a-dozen, is 37 per cent., and when applied to gloves of 6s. per dozen is 58 per cent.; and those gentlemen, whose words I heard with implicit belief, told me distinctly that, if this duty were removed, a large quantity of gloves would be imported here at 10s. and 12s. the dozen. Therefore the duty is not a revenue duty, but it is a protective duty on the higher qualities, while as regards the bulk of the trade, and as regards the bulk of the British consumers, it is to every practical intent and purpose a duty not of protection, but of prohibition. And even so it is with the wine duties. Is that doubted? Let us, then, see how the wine duties operate as a system of protection. We have all heard of Cape wine; and, if we visit places much frequented by what may be termed the lower-middle class, we see advertisements representing large tuns surrounded by jovial toppers, with the words Cape Port and African Sherry

written on them. In all probability the one is not even Cape port, nor the other even African sherry. Some of those who import what are called Cape port and African sherry know how to make a better use of them. There is a system of promotion and preferment in wines. The African wines are used for mixing with foreign European wines, and, to employ language familiar to my right hon. friend the Secretary for War, *vice* the African wine promoted, some new composts are brought forward and delivered to a discerning public, with what results it is not for me to say. The Colonial wine has a differential duty in its favour of nearly 3s. a gallon; and, if there really be this great care for the revenue from wine, I beseech those who feel that anxiety to go along with us in reforming the wine duties; for they will find that the decrease in the receipt of duty from year to year, from the operation of this differential rate, is such as would, apart from any treaty with France, and from fiscal considerations alone, probably compel them, in the course of a few years, to reform the wine duties.

To afford the proof of what I have just stated, I take, for each period of three years during the last nine years, the consumption of foreign wine and of Cape wine respectively in the United Kingdom. The average of foreign wine consumed in the three years, 1851-3, was 6,225,000 gallons. During the same period the average consumption of colonial wine was 254,000 gallons. In the period of 1854-56 the average consumption of foreign wine was 6,393,000 gallons, being an increase of 168,000 gallons over the previous period. It is worthy of notice that this increase took place when the disease of the vine was at its worst; and I mention this particularly, because, as this represents the consumption of foreign wine during the disease, it shows that the increase which has now taken place in the consumption of Cape wine cannot

be owing to the disease in the European grape. When that disease was at its worst the consumption of foreign wine increased, as I have already stated, by 168,000 gallons; the average consumption of Cape wine during the same period—1854-56—rose from 254,000 gallons to 298,000 gallons. During the latest term of years—1857-59—the disease of the vine was very much mitigated, but the average consumption of foreign wine showed a decrease of no less than 500,000 gallons, as compared with the consumption of 1854-56. The average consumption of foreign wine in 1857-59 was 5,893,000 gallons, while the consumption of the colonial wine had increased by no less than 357,000 gallons, the average consumption in this last period being 655,000 gallons, or more than double the consumption of the former triennial period. The colonial wine is, in fact, evidently, and rather rapidly, displacing the foreign. The present duty is purely a protecting and differential duty, and is hostile to the revenue of the country.

But, besides wine imported from a colony, there is another element affecting the wine revenue, and that is the manufacture of what is called British wine. While the consumption of foreign wine has actually fallen on an average from 6,225,000 gallons to 5,893,000 gallons, there has been an increase in the manufacture of British wine. British wine—I mean that in the hands of highly respectable manufacturers, and I am not referring at all to what is sold for fraudulent purposes—is made very much with raisins, sugar, and brandy. The duty paid on these materials is reckoned as amounting to 1s. 2d. a gallon. Therefore you have a duty on foreign wine of 5s. 10d. the gallon—on colonial wine of 2s. 11d. the gallon, and on British wine of 1s. 2d. the gallon. The result is that the consumption of foreign wine diminishes, the consumption of colonial wine has increased, and the

consumption of British wine has, according to the best information I can obtain, doubled within the last ten years. This case, then, has all the essential characteristics of a trade carried on, and of a revenue pining, under the influence of differential duties. I therefore say that the present wine duty is a protective and differential duty with respect to the three classes which enter into our consumption, namely, foreign, colonial, and British wines; these kinds all paying different rates of duty to the revenue.

Out of the enormous quantity of foreign wine manufactured abroad, no doubt it is true that, under any circumstances, no more than a small fraction would become available in this country. The great bulk is wine which an Englishman would not take in exchange for his beer; but it is also true that between that common and coarse wine on the one hand, and the finest wines on the other, there are ten thousand intermediate shades; and there is in different countries an immense capacity for producing wines fitted for the English market, and for the taste of the middle and lower-middle classes in this country, which capacity is at present entirely stifled by the operation of the wine duty.

Of late years, a notion has gone abroad, that there is something fixed and unchanging in an Englishman's taste with respect to wine. You find a great number of people in this country who believe, almost like an article of Christian faith, that an Englishman is not born to drink French wines. Do what you will, they say; argue with him as you will; reduce your duties as you will; endeavour even to pour the French wine down his throat; but still he will reject it. Well, these are, without doubt, most worthy members of the community; but they form their judgment from the narrow circle of their own experience, and they will not condescend for

any consideration to look beyond that narrow circle. What they maintain is absolutely the reverse of the truth; for nothing is more certain than the taste of English people at one time, and that, too, a prolonged period, for French wine. In earlier periods of our history, French wine was the great article of consumption here. Taste is not an immutable, but a mutable thing. If you go back to what an eminent living poet has called

‘The spacious times of great Elizabeth,’

you will find that the most delicate lady in the land did not scruple then to breakfast on beefsteaks and ale. Down to the Revolution, French wine was very largely consumed here. I have seen it stated, and have no reason to doubt the assertion, that in 1687 there were imported into this country 3,800,000 gallons of French wine, or nearly two-thirds of the whole quantity of foreign wine which we now consume. How was this consumption subsequently checked and discouraged? By the influence of prohibitive duties. The prohibitive system grew up by degrees; and by degrees the English people were positively punished, fined, and starved out of their taste for French wine. But, for 100 years after the Methuen Treaty, the taste itself remained. For when Mr. Pitt made the treaty of 1786, what was the result? According to the interesting paper prepared by Lord Chelsea, in the year preceding 1786, the import of French wine into England was under 100,000 gallons. In the six years from 1787 to 1792, the import grew to 683,000 gallons. Then with the outbreak of the war, or not more than two or three years afterwards, a nearly prohibitive, at all events a high differential, duty was imposed, and the average import fell to 161,000 gallons. At that average it remained till 1824, when the differential duty, instead of 4*s.* 5*d.* became 2*s.* 5*d.*, and the

consumption rose to 379,000 gallons. I must admit, however, that when the duties were finally equalised in 1830 the consumption of French wine did not further increase. It seemed as if by that time, after the pressure of heavy duties for a century and a half, the taste for it had at length nearly died away. It had become the luxury of a very limited class in the community, and of a class, too, the variations of whose tastes are but little controlled by price. But it is remarkable that, in conjunction with the very changes of taste which have been proceeding of late years, we may likewise perceive, even under the operation of the present wine duties, and without any fiscal change in their favour, proofs of a growing taste for French wine; for whereas from 1825 to 1830 we only consumed 379,000 gallons a year, and after 1830 that consumption was even reduced to something like 310,000 or 315,000 gallons, on the average of the last ten years we have consumed 584,000 gallons; so that both the importation of French wines is absolutely increasing, and the percentage of the total consumption is relatively increasing. Taste, I say, is mutable. It is idle to talk of the taste for port and sherry and the highly brandied wines, as a thing fixed and unchangeable. There is a power of unbounded supply of wine, if you will only alter your law; and there is a power, I will not say of unbounded demand, but of an enormously increased demand, for this most useful and valuable commodity in all its various descriptions.

And now, Sir, I think cause enough has been already shown for an alteration in the present system of wine duties. But I beseech the Committee to remember the immense masses of evil which are connected with that system. Look at the fraud and adulteration to which it gives rise. Many of the houses engaged in the wine trade bear as high a character as any in England; but

the partners in those houses will tell you of the difficulties they have to encounter, in holding their ground against persons of inferior character, who are brought into that trade. And why do persons of inferior character embark in it? Because our law invites them to do so. Because the restrictive operation of your Tariff is so severe that it affords temptations, which they cannot resist, to counterfeit the article on which you have laid such heavy duties. That is the way in which the wine duties work. And now let me, in concluding my remarks on this subject, ask the Committee to consider yet one thing more. We hear of the rich man's luxuries, and of contemplated reductions of duty upon articles which the poor man does not consume. Now, I make my appeal to the friends of the poor man. There is a time which comes to all of us—the time, I mean, of sickness—when wine becomes a common necessary. What kind of wine is administered to the poor man in this country? We have got a law which makes it impossible for the poor man, when he is sick, to obtain the comfort and support derived from good wine, unless he is fortunate enough to live in the immediate neighbourhood of some rich and charitable friend. Consult the medical profession; ask what sort of wine is supplied to boards of guardians in this country: go on board the Queen's ships, and see the wine supplied there. Some time ago I had the honour of being on board Her Majesty's ship *Scourge*, at a time when an accident had happened to one of the sailors. I went to see the man when he was recovering from the effects of an operation. "What wine do you give him?" I asked. "We give him the wine of our own mess," the surgeon told me; "we cannot give him the wine supplied to the ship." He moreover insisted on my drinking some of the ship's wine; and certainly it was with great difficulty that I succeeded in accomplishing

the operation. Now, this wine had without doubt been taken out of bond, and had paid no duty ; but our system of duty vitiates the entire trade, and, except with regard to the higher and most expensive class of wines, makes it almost impossible to obtain a sound and wholesome article. Certainly, Sir, I cannot think that, under those circumstances, the Government can require further justification for making proposals, which will lead to an effectual diminution of these duties.

I believe I have now gone through the principal heads of the Commercial Treaty with France. I do not think that the friends of free trade, or those who are anxious respecting the revenue, will find fault with the provisions of that Treaty. I believe myself that you never were called upon to make a sacrifice—that is, an immediate sacrifice—of revenue, which promised to be more fruitful of good. I believe that the trade, which will be created under the Treaty, will be immense ; and I know very well that the expedition to be imparted to trade, and the economy to be brought about in the public establishments by abolishing the duties on manufactured goods, will form results of no common value. Again, everybody appreciates facility of personal intercourse with the Continent ; and the changes we propose in our Tariff will greatly facilitate that intercourse, by enabling the Customs authorities to withdraw the greater part of the annoying restraints on the rapid transit of passengers and their baggage, which are now found necessary.

Sir, I cannot pass from the subject of the French Treaty without paying a tribute of respect to two persons at least, who have been the main authors of it. I am bound to bear this witness at any rate with regard to the Emperor of the French ; that he has given the most unequivocal proofs of sincerity and earnestness in

the progress of this great work, a work which he has prosecuted with clear-sighted resolution, not doubtless for British purposes, but in the spirit of enlightened patriotism, with a view to commercial reforms at home, and to the advantage and happiness of his own people by means of those reforms. With regard to Mr. Cobden, speaking as I do at a time when every angry passion has passed away, I cannot help expressing our obligations to him for the labour he has, at no small personal sacrifice, bestowed upon a measure, which he, not the least among the apostles of free trade, believes to be one of the most memorable triumphs free trade has ever achieved. Rare is the privilege of any man who, having fourteen years ago rendered to his country one signal and splendid service, now again, within the same brief span of life, decorated neither by rank nor title, bearing no mark to distinguish him from the people whom he loves, has been permitted again to perform a great and memorable service to his Sovereign and to his country.

The point to which I have now brought the Committee in this, to them, I fear, laborious and irksome inquiry is this. I have asked them to sacrifice 1,190,000*l.* of the existing revenue in order to effect a relief to the consumer of, I think, 1,737,000*l.*, by giving effect to the provisions of the Treaty with France. That Treaty would bring about a sensible reform in the Customs establishments of the country. At the same time, it would not effect a reform which would, of itself, have any pretensions to the character of completeness, and there are many other duties still remaining on the Tariff of a description which we think calls for the attention of Parliament, and by the reduction or removal of which immense advantage might be conferred upon the nation. I have thought it best to separate them entirely from those articles, which we deal with by the

Treaty, in order to the greater convenience of the Committee, and to their clearer understanding of the whole subject. But this being the state of the case, and the Government wishing to give, as far as may be, the character of completeness to their reform of the Customs—which, indeed, is essential to the attainment of some of the objects we have in view—I now come to what I may term our supplemental measure of Customs reform.

It is our intention, Sir, to propose to the Committee a further change in the Customs laws, which will entail at first a loss of 910,000*l.*, and will give, at the same time, a relief to the consumer of about 1,040,000*l.*; but we propose, also, in a manner which I will explain to the Committee, to meet the charge of that loss by certain impositions, falling chiefly upon trade, of a character which, I hope, will not be deemed exceptionable. I will take these two subjects next. They together form the supplemental part of the Customs reform proposed by the Government.

This second portion of the Customs reform contains many abolitions, and some reductions, of duty. I will read the list of the principal cases, in which abolition is contemplated. But, Sir, at this point my memory reminds me of an omission of which I have been guilty with reference to a single but important point in the Treaty with France; I mean that it had been my intention to offer a remark upon our proposal to give immediate effect to the changes on the English side, notwithstanding the postponement of the changes intended by France. The provision which we have adopted to this effect was not pressed upon us by France. On the contrary, we have reason to believe that she would have given us the time, which she found occasion to require for herself. But the arrangement

I have stated to the Committee, which adopts early, indeed immediate, change in preference to general postponement, was owing to the deliberate judgment of the English Government, that it would be on the whole more advantageous to the English people.

Apologizing to the Committee for this omission, I now come to consider the abolition of duties, which forms part of the second or supplementary part of the measure we propose for the alteration of the Customs law. We propose to abolish immediately and entirely the duty on butter, which yields 95,000*l.*; the duty on tallow, which yields 87,000*l.*; the duty on cheese, which yields 44,000*l.*; that on oranges and lemons, yielding 32,000*l.*; on eggs, 22,000*l.*; on nuts, 12,000*l.*; on nutmegs, 11,000*l.*; paper, 10,000*l.*; liquorice, 9000*l.*; dates, 7000*l.*; and on various other minor articles. The total of these abolitions, it will be found, amounts to 382,000*l.*

We propose likewise a reduction of duties upon five articles of great importance. One of these proposals strikes at the principal differential duty still remaining on our Tariff, if we except those which we shall, I hope, abolish by the French Treaty; namely, the duty on timber. I propose to reduce the duty on timber from 7*s.* 6*d.* and 15*s.* to the existing colonial rates of 1*s.* and 2*s.* There will be on this article a relief of 400,000*l.* to the consumer; but we reckon, from the first, on a considerable recovery by increased consumption. The next article, the duty on which I propose to reduce, with the approval of the House, is currants. There are but few articles of greater importance to the mass of the community. All those persons of the labouring class, who are in good circumstances, are large consumers of currants. In consistency with the course taken in regard to the duty on raisins, the duty now charged on currants ought to have been reduced many

years ago, I mean in 1853. But it was impossible to recommend the change to Parliament at that period in consequence of the almost entire failure of the crop, which made it impracticable to act upon consumption by any reduction of the duty which we might have made. The duty on currants is now 15s. 9d. We propose to reduce it to 7s. per cwt., and this measure will involve a first loss of 170,000*l*. This, however, will in part be compensated by increased consumption. We propose to reduce the duty on raisins from 10s. to 7s.; on figs, in like manner, from 10s. to 7s. I also propose to reduce another duty with regard to which I shall have to give a further explanation, namely, the duty on hops. I propose to reduce the duty on hops, not immediately however, but on and after the 1st of January, 1861, from 45s. to 14s. per cwt. The total amount of the reductions I have now named will be 650,000*l*., and the abolitions will amount to 382,000*l*. We have also to deal with a small article, namely, plaiting, the reduction on which will be postponed. After a small allowance for this article, the gross loss will stand at 1,035,000*l*.; but the increase of consumption will probably reduce this loss, as we estimate, to 910,000*l*.

I will presently explain the general condition in which these changes, if they are adopted entire, will leave the Tariff; but, for the present, I will go on to state the mode in which the Government propose to supply the revenue necessary in order to compensate the Exchequer for the loss that will follow these last-named changes. I am afraid, from the sensation that is expressed, that I may cause some disappointment, for, in point of fact, I am not now going to fill up the great chasm that lay before us a short time ago, but only to deal with the little chasm, created by parting with the sum of 910,000*l*. The general principle of the measures

I am now about to propose will be an extension of a minute kind of taxation, which may be called vaguely but intelligibly penny taxation. The penny taxation, which we have thus far adopted, has answered the purpose of assisting the revenue; and it may further be stated that it has not been unacceptable to the public. It seems to have shown that at least there is one kind of "penny wisdom" that is not "pound folly," for it has been at once popular and productive. We propose henceforward to levy upon all goods imported and exported, by way of registration due, a duty which will in general be charged at the rate of one penny per package. It has often been said and argued that, at the period when the Tariff was cleared of so many articles, a small duty ought to have been retained to cover the cost of registration for statistical purposes, and of the various services performed on behalf of trade by the Customs establishment. That is an argument of very considerable force; but there has been one argument, as I think, of more conclusive weight the other way, which has led successive Governments and Parliaments not to retain duties of this description on the Tariff. That argument is, that if you retain small duties on your Tariff, they are attended with nearly all the evil incidents of a large duty. They require the same sort of inspection, the same following up the goods, the same delay, and the same system of accounts and of checks, as if you were levying large and productive duties. But none of these objections apply to the measure I now propose, in the form which we intend to give to it. It would be a charge of the simplest kind, levied on packages at the rate of 1*d.* per package; and, on goods in bulk, according to the unit under which they are commonly entered. There must be a few cases of raw materials, such as salt, coals, and corn, as well as some instances where the packages

are of small value, in which it will be necessary to alter the unit, so as to prevent the penny from becoming a serious burden. This alteration will be made either with reference to smallness of value, or because the article may be such as, not being entered in small parcels, but by the whole cargo, and not being warehoused, may give very little trouble to the department of Customs. All this, however, will be matter of consideration in the Bill; and it will be for the Executive Government, in the administration of the law, to place the matter under well-considered general rules. But what an idea it gives of the wealth and power of this country, when we learn that to levy a small duty of 1*d.* per package, and a similar rate on all goods in bulk, will produce 300,000*l.* a-year. This duty differs essentially from the nominal rates of Customs duty to which I have above referred, inasmuch as it will be levied without any detention or examination of the goods. The charge will be determined at once upon inspection of the ship's papers, as one of the payments incidental to the arrival or despatch of the ship.

The next charge I propose to the Committee to enact is, the charge upon certain operations now performed in warehouse. The Committee are aware that the original object of the warehousing system was to enable the importers of goods to obtain two most important advantages—one the postponement of the payment of the duties, and the other, that they might retain for themselves the option, up to the latest moment, between entering the goods for home consumption, and dispatching them for a foreign market. The system itself is one of immense advantage, and is vitally incorporated with the course of British trade. Accordingly, with neither of the advantages I have named do we propose to interfere, or to saddle them with any charge whatever. But

it has been a consequence of the system under which we levy a large revenue from heavy duties of Customs, particularly with regard to certain articles, such as spirits, and, most of all, such as wine, that we should endeavour to mitigate their pressure by a system of expedients. Hence there has grown up a most complicated system of operations of every kind, which are performed under bond at a great disadvantage in respect to expense, in respect to charge entailed upon the Customs establishment by the consumption of the time of its officers, to the risk of fraud affecting injuriously the owners of the goods, and in this way to the loss of revenue, which is loss to the country. But serious as are these inconveniences, they are some of the necessary results of the state of our law. That state of law has been, and is now, reverting to a more moderate range of duties, and to a more simple arrangement. It is, therefore, in principle reasonable that all these extraordinary operations upon goods, which lie beyond the proper scope of the warehousing system, and which are of the nature of separate and independent accommodation, should be subject to some charge by way of partial compensation for the burden which they entail on the State. We accordingly propose to fix moderate sums, chargeable on all removals, on bottling, on vattling, on "fortifying"—I might weary the Committee with the vocabulary of the system—in a word, on all those peculiar operations, which have grown up as excrescences on the warehousing system properly so called.

The Committee will, I think, be glad to hear that, apart from all general fitness in the proposal I am now explaining, we hope to find in this method of charge a mode of solving a very difficult question, which has excited a great deal of interest in many important communities. It is known as the question of inland bonding.

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The great inland towns of this country have been for some time more or less disposed to complain, that they are excluded from the facilities given sometimes to what are little more than mere hamlets, and in many cases to places of no great importance as measured by trade or population, if they chance to be ports; and this, moreover, with respect to articles which they do not themselves import. But, under the system we propose, certain charges will attach to removals in warehouse, whether they are on the coast or in the interior, which will place the various classes of ports and places on a much more equal footing. Of course I do not mean to say that, even with this safeguard which we now propose, the warehousing system can be applied to every town, or even to every considerable town, in the country. The Government will have to consider carefully the sufficiency of the accommodation which may be offered, the amount of trade and population, and the probable results to the revenue; but the principle of the plan will be, first, to return to the country, in part, the cost of the warehousing establishment, and secondly, to enable the executive Government to proceed with equity and justice towards the little ports that enjoy these privileges because they happen to be ports within the meaning of the term, and at the same time to enable great communities like Manchester, Birmingham, and some other large towns, which are fairly entitled to demand a concession of this kind, to obtain corresponding advantages. By this plan I expect to gain 120,000*l*.

The next change I am about to propose is one, upon which it will be desirable that the Committee should, in conformity with its ordinary practice, give a vote to-night. I propose to levy a duty of 6*s*. per cwt. upon chicory, or any other vegetable production to be used

with coffee, as a protection to the coffee revenue, which has not grown, and which probably cannot grow, as long as an article that assumes the appearance of coffee is admitted free, while coffee itself pays a high duty. It will be requisite that the officers of Customs shall be in a condition to give immediate effect to this Resolution, and I therefore at once hand the Resolution to you, Mr. Massey, as I proceed. I may mention that this enactment will entail the disadvantage of an Excise charge upon home-grown chicory; but that is not a serious matter in practice, because the growth of chicory in this country, which some time ago was more considerable, has almost died out. Some years ago, many thousand acres were employed in the growth of chicory; but at the present day the whole quantity under cultivation, so far as I can learn, is under 500 acres. The duty on chicory, together with some consequent improvement of the revenue from coffee, may be expected to yield 90,000*l.* per annum; a sum which will bring up these minor Customs charges to 510,000*l.*

I will now briefly run over the changes which, with a similar view, we would ask the Committee to adopt in the department of Inland Revenue. A stamp of 1*d.* on notes of sale of foreign and colonial produce, and on brokers' contract notes, is estimated to yield 100,000*l.* A stamp of 3*d.* on dock warrants may, as we conjecture, yield 100,000*l.*; a reduction of the agreement stamp from 2*s.* 6*d.* to 6*d.*, with the repeal of the exemption, under 20*l.*, will yield 20,000*l.* The next change which we propose is to give to eating-houses of all descriptions, whether under that name or under the name of pastry-cooks' shops, a licence, for which they will pay at a very moderate rate, together with the power of taking a licence at their option from the Excise, to be had simply on the payment of a certain sum of money, and subject

to no other limitation or restriction except rules of police, for the purpose of authorizing them to sell wine or beer. We think it is essential, in giving effect to the changes in the wine duties, that this sort of facility should be provided, in connexion with the sale of eatables, wherever the trade may be carried on. And we also look on it as a change favourable to sobriety ; for the man, who can get his glass of wine or beer at the same time with his necessary food in an easy manner, is less likely to resort to places whither he would repair for drinking only, and where he would be tempted to indulge in excess. We also propose that, by way of restraint, the duty should be doubled upon any such house, when it is kept open after 12 o'clock at night. Then there are a variety of very limited minor changes, with which I am almost ashamed to trouble the Committee. One particular change, however, I will mention. We propose to reduce the duty on game certificates, an alteration which I trust will be satisfactory. At present, only 34,000 game certificates are taken out every year. The price is very high ; and no person can shoot even for a day, at any period of the season, without paying the price of a certificate for the whole season. But the immediate and obvious ground for dealing with this licence is the notorious fact, that vast numbers of persons, of almost all classes, who do shoot at all, assume to themselves the liberty of shooting without a certificate. We are not able to detect more than some 400 or 500 of them in the course of the year ; but I hope that so many will not escape, indeed that so many will not offend, under the new system. We anticipate that while we shall give relief by this change, to those who buy certificates, to the amount of 50,000*l.*, we shall have no loss, but even a small gain of something like 10,000*l.* a-year. Instead of 4*l.* for a certifi-

cate for the season, it will be had, if taken out in August, for 3*l.*; if taken out on or after the 1st of October, 2*l.*; and if taken out on or after the 1st of December, 1*l.*

As respects the measure of the right honourable gentleman opposite, which was adopted in 1858, with regard to a penny stamp on cheques, we have not yet had sufficient experience to test its full effects, either fiscally or otherwise; but I think it is quite clear that if it continues to exist, as it is likely to do, at least till we see our way more clearly, there ought to be no exemption for that class of cheques where the drawer is also the payee. It is not worth while to keep up the distinction, which is not founded on any just principle; and a small sum will be gained by its abolition. We therefore propose to remove it. We also propose a stamp on leases, which will yield 7,000*l.* All personal estate passing by will, under a general appointment, will become subject to probate duty; a measure which will yield 30,000*l.*; and the repeal of the exemption, now enjoyed by the conveyances of building societies, will give 5,000*l.* The Excise duty on chicory will yield 5,000*l.*, and a penny stamp on extracts from the registers of births, deaths, and marriages, 3,000*l.* Lastly, by bringing heritable Bonds in Scotland under all the liabilities of personalty on a succession, we shall gain 10,000*l.* I may now sum up. The new charges under the department of Customs will give us 510,000*l.*, which, added to 386,000*l.*, the produce of the items of Inland Revenue I have referred to, will give a total of 896,000*l.* The next item on this side of the account will give pleasure to the Committee. It is not a tax, but a saving; and a saving which of all others will, I am sure, be most acceptable to Parliament and to the people. It is a saving for the year on the Customs

Establishment of 50,000*l.* which will be the beginning of a still greater permanent saving, in consequence of the measures we are going to adopt. There will also be a saving in the department of Inland Revenue, if the measures we propose should be agreed to, of 36,000*l.* There will, therefore, be altogether 86,000*l.* in saving and 896,000*l.* in taxes, making together 982,000*l.*, which will more than replace the revenue we propose to withdraw by the second portion of our scheme of commercial amendment.

Let me now once more recall to the attention of the Committee the precise point at which we stand. We venture to urge that the country may fairly expect, under the circumstances of the present year, a reduction of the indirect taxes, chosen with the greatest care for the purpose, to an extent something like that which is represented by the amount of difference between the present war duties, so to call them, on tea and sugar, and which is likewise represented by the amount of annuities now falling in. The annuities of 2,146,000*l.*, and the difference on tea and sugar duties, would be represented by nearly the same sum. I conceive the country has some right to expect we should proceed to that extent as regards temporary loss to the revenue, but to a much greater extent in permanent relief to consumers. Of that 2,146,000*l.*, we have already disposed of about 1,190,000*l.* by the Treaty with France, so far as the plans of the Government are concerned; and, by way of supplement to that Treaty, we have also proposed a further measure involving the loss of 910,000*l.*, but with a compensation, in the shape of new charges and savings, to the extent of 982,000*l.* Consequently, there is still about 1,000,000*l.* of remission, which, in the view of the Government, is due to the trade and industry of the

country on the principles I have stated. The question remains, where shall that reduction be made?

As we have frankly admitted, we do not think the greatest benefit would be conferred either on the nation at large or on the labouring classes, by an immediate return to the *minimum* duty on sugar and tea; and though we might take either of the two, we could not, consistently with what I have thus far proposed, take both. As we do not think that is the direction in which relief may be best conferred, I think the Committee will readily guess what I am about to suggest—the abolition of the Excise duty on paper. There is only one argument I know against its abolition; and that is, that the revenue derived from it is a growing revenue. The reason why it is so is this; that we live in a country with a growing literature and a growing trade; and, as neither literature nor trade can be carried on without paper, it follows that as long as the country grows in literature and trade the paper duty must increase, however impolitic, however burdensome it may be in its operation. But let the Committee briefly consider with me some of the reasons for the repeal of the paper duty.

First of all, I do not hesitate to say that one reason for this repeal, not, perhaps, conclusive in itself, but certainly far from immaterial in the view (as we think) of any British Ministry, is that the duty has been condemned by the Commons' House of Parliament. And how has it been condemned? Not by any chance majority, not by an Opposition happening to overpower a resisting Government, but with the full concurrence of the responsible Executive of the day. On the 21st of June, 1858, my right honourable friend, now President of the Board of Trade, made the following motion; "That it is the opinion of this House that the main-

tenance of the Excise duty on paper, as a permanent source of revenue, will be impolitic." The Chancellor of the Exchequer objected to a second Resolution, which was proposed by my right honourable friend apparently for the purpose of driving the nail a little further home; and on condition that the second Resolution should be withdrawn, the Chancellor of the Exchequer, the right honourable gentleman opposite (Mr. Disraeli), adopted the first Resolution, and said that the duty required not immediate, but yet early consideration. The Resolution was thereupon adopted unanimously by the House. It is a question whether it is altogether a wise practice to adopt Resolutions that condemn duties which cannot at the time be repealed, and I am afraid subsequent inconveniences are apt to grow out of such a practice; but the fact, that the House of Commons has recorded that unanimous judgment, is in the opinion of Her Majesty's Government a material element in the case we are now considering.

That, however, is far from being all. The paper duty is in many respects a bad duty; and I will show presently that it is also becoming untenable in law. In the first place, as an uniform duty on a very variable article, how does it operate? It presses on the poorer sorts; and while we find that the duty on fine papers, owing to the growth of literature, is rapidly increasing, on the coarser sorts it does not advance. Look, again, at its operation on literature. On dear books, which are published for the wealthy, it is a very light duty; on books brought out in large quantities by enterprising publishers for the middle and lower classes, it is a very heavy and a very oppressive duty. I think the Committee will admit that it is a most desirable and legitimate object to promote the extension of cheap literature. I do not speak of newspapers alone, but of newspapers

and periodical publications in common with all the other cheap literature, which we have seen so greatly enlarged of late, and the character of which I am bound to say, since the penny stamp on newspapers was removed, has been so highly creditable to the conductors of what is called the cheap press.

It is hardly possible to describe adequately, except by an amount of detail on which I shall not venture, the manner in which the paper duty obstructs general skill and enterprise. But the subject has this characteristic, which I beg to call to the special attention of the Committee. The material, with which the manufacture deals, is a material of almost boundless scope; for nearly everything, which is vegetable and fibrous, may in one manner or another be made to serve the purpose of paper. I spoke just now of the production of British and of spurious wines. Strange as it may seem, this subject has a point of contact with the paper manufacture. I am told that, in an inland town, there is a manufacture of British champagne. It is made from rhubarb; and the suggestion has been made that, after the champagne has been extracted from the rhubarb, the residue of pulp or fibre should be made into paper. That is, or seems to be, a very good recommendation. I believe, really and seriously, that whatever grows and has fibre might, by skill and enterprise, probably in course of time be made available in one mode or another for the purposes of paper, if it were not for the necessary obstructions offered by the regulations of the Excise Department.

But, again, what are the purposes to which paper is applicable? Not only those narrow ones, with which the ordinary experience of every man makes him familiar. I do not think the Committee is aware of the enormous variety of purposes to which this material may, in one

form or another, be applied. I have a list of sixty-nine trades, in hardly one of which an ordinary consumer of paper would guess it to be used. For example, it is largely used by anatomical machinists to make artificial limbs; by telescope makers, by boot and shoe makers, by cap manufacturers for the foundation of caps and hats, forming all the peaks and many of the tops, which look like leather; by china and porcelain manufacturers, by coachmakers, by comb makers, by doll makers (most dolls being made of a material into the composition of which paper enters); by shipbuilders; again, in making optical instruments, in pictures and looking-glasses, in portmantaus, in Sheffield goods, and in teapots. One manufacturer writes that he has made panels for doors from paper, and, above all, he looks forward to making carriages of paper when the duty shall have been taken off. Another manufacturer, who is asked into what combinations paper may be made to enter, writes to me (and I think it is a very just and forcible observation), "Who can fix the limit to ingenious combinations, when we see india-rubber, for instance, being made into strong and durable combs, and other articles of that sort? Only this morning," he proceeds, "I was informed that paper pipes are actually made, prepared with bitumen, and capable of standing a pressure of 300 lb. of water to the inch." These are partial, but not uninteresting, details; and I think that to which they bear consenting witness is, the unbounded expansion of which this trade is capable, and the way in which we may confer benefit on the working-classes, by means of abolishing the charge; not only because they will get cheaper paper, which must be of advantage to every man who furnishes a cottage and who desires to give some of his rooms an appearance of comfort and neatness, and to every purchaser of tea and sugar, for into the cost of these, too, it enters when tea

and sugar are wrapped in it; but by putting in motion an immense trade we shall, I trust, give a greater and wider stimulus to the demand for the labour of the country. Above all other benefits, let me say the great advantage of this change, in my opinion, and in the opinion of Her Majesty's Government, is, that we may hereby promote a diffused demand for labour, and, in particular, a demand for rural labour; that we shall not merely stimulate the process of massing people together in great centres of industry, but the demand for labour all over the country. Where there are streams, where there are villages, where there is pure and good air and tolerable access, there are the places in which the paper manufacture tends to establish itself. And there is a gentleman, a member of this House (Mr. Ingram), second to no man in England for enterprise, who did within the last few years practically illustrate the effect of the paper manufacture on the poor-rate. The paper duty has indeed, I fear, materially helped to extinguish all the small paper manufacturers. It has helped to concentrate the trade in a few great hands. Village mills are hardly to be found. I want to see, and I do not despair of seeing, these village mills spring up again and flourish. The case I quote, to show the effect of paper manufacture upon the poor-rate, is that of a member of this House, who a few years ago, with a view to the supply of paper for a well-known periodical, established a paper-manufactory at Rickmansworth; and within three or four years after that time the poor-rates of Rickmansworth were diminished by one-half. In this condition, I believe, they continued so long as that paper-mill was at work. This I conceive to be an argument of a nature to be readily appreciated and understood.

But, Sir, before I conclude the subject, I must state

yet one other point. I told the Committee, that this duty was rapidly becoming untenable; and I am bound to warn them, as I have done with respect to the wine duties, that such is the state of things to which it now tends. It is not only somewhat invidious to maintain it, when every other duty of the same class has been abolished, but the law is rapidly becoming incapable of being administered without public scandal and discredit. The heads of the Inland Revenue Department are completely agreed that there ought to be a repeal of the duty. I asked the gentlemen, whom I may call the agitators against the duty, to furnish their reasons in a series of short propositions, in order that I might see how far they could be admitted by the Inland Revenue. They sent me fifteen arguments, and I transmitted them to the Board of Inland Revenue. The heads of that department replied, that two of the propositions were rather in the nature of general propositions of political economy, upon which they would give no opinion, but that with regard to all the other thirteen they agreed with the agitators. We are warned by the conclusions of that Board, that we cannot reckon on being able to maintain the duty beyond a certain time. Such are the difficulties raised as to what is paper and what is not paper—as to what are sheets of fibrous substance and what are not—that not only is there the greatest soreness among the manufacturers, coupled with the sense of injustice that attends capricious and unequal law, but the officers of the revenue find it more and more difficult to perform their duty; and the maintainers of the law will soon be placed in the same ridiculous position, in which they were placed some years ago, when they were found unable to say what was a newspaper. In short, as the paper duty must sooner or later follow the newspaper stamp, for the honour of the law and for the advantage

of the State, we say let it be sooner and not later ; and we propose that it should follow now.

It is proposed, Sir, that the paper duty shall be abolished after the 1st of July next, and that drawback shall be allowed on stocks in the hands of the dealers, subject to the usual rules. There will be a loss, by the Repeal of the paper duty, in 1860-61, of 1,000,000*l*. But the repeal of the paper duty will enable us to take some other measures, which are very desirable ; it will enable us to clear the Tariff of all the articles coming under the heads of furnishing paper, writing-paper, books, prints, and engravings ; and it will greatly simplify the laborious and difficult task, which the Custom-house officers have to perform in searching the luggage of passengers for pirated books ; an office by which they at present afford to possessors of a particular kind of property a protection which is afforded to no other kind of property, and which ought not to be afforded to them on the responsibility of the State and at the cost of the revenue. Of course, whenever the Custom-house officers observe an illegal commodity, it will be their duty to stop it ; but an officious and vexatious description of search will, as I am informed, no longer be necessary.

The abolition of the paper duty will moreover save 20,000*l*. a-year in the establishment of the Board of Inland Revenue. And it will likewise enable us to adopt another measure of some importance which I will in a very few words describe. I refer to the abolition of the impressed stamp on newspapers. The impressed stamp on newspapers is attended with difficulties, which, if I were dealing with that subject alone, I might spend a long time in explaining. It recognises the exceptional *status* of newspapers, and again raises the question, "What is a newspaper ?" The Post-office authorities

find it impossible to draw in a satisfactory manner a distinction between publications entitled to the impressed stamp, and other periodicals. It involves a great deal of unrequited service ; and nothing is more absurd than that, when the Post-office carries newspapers, or any other printed matter not exceeding four ounces in weight for a penny, they should be liable, after a stamp has once been impressed, to carry it half-a-dozen times over for the same money. Again, it requires a distinct code of rules for itself. There are some fifteen or twenty special regulations, which every one is bound to observe, but which no one does observe, in order to secure the condition upon which the privilege is given ; and this privilege, as to the mode of stamping newspapers, and as to postage, is a privilege in certain respects most inconvenient to the parties and to the revenue. The State is obliged, on the one hand, to keep up various establishments, for no other purpose than stamping the paper for newspapers ; and newspaper proprietors are, on the other hand, with a few exceptions, obliged to cart all their paper to the establishments where this department of revenue is managed, in order to get it stamped. I cannot but think that that is a system fraught with both inconvenience and loss. It is inconvenient to the proprietors of newspapers on the one hand, while it involves a loss of public money on the other ; and thus it furnishes a strong argument for the abolition of the stamp. We propose, therefore, that the impressed stamp on newspapers should be abolished on the day, on which the alteration in the stamp laws takes place.

But there are certain papers, and among them that great journal *The Times*, that take advantage on certain occasions of a three-halfpenny stamp. It would be a hardship to those papers if we called upon them to pay a two-penny postage, where they now pay only three

halfpence; and this difficulty we propose to surmount by the simple method of introducing a three-halfpenny rate into the present scale of the book postage, which will accordingly stand as follows: up to four ounces, 1*d.*; six ounces, 1½*d.*; eight ounces, 2*d.*; and so upwards. This is a change, which I think will at once recommend itself to the general favour of the Committee.

I have now stated all the remissions and changes of duty which the Government propose to recommend to the House; but with a view to establishing the requisite balance of the revenue and expenditure of the country, it is necessary that I should still refer to some articles, which are connected with the departments of Excise and Taxes.

I have previously mentioned the article of hops; and I have now to state that we propose to alter the system of hop credits. That system is one which is scarcely defensible in principle; and which has nothing to recommend it in point of convenience. As the law now stands, the grower of hops, who picks and gathers in his hops in August or September, and who commonly sells them in October, is not called on to pay the duty till the following May, when he pays but one half of it; and the other half he pays only in November, when he has actually got in hand the proceeds of another crop. This is a system that is highly disadvantageous to the revenue, while no good reason recommends it in the interest of the producer. We, therefore, propose as a substitute, that the hop grower, who as a general rule has parted with his crop in October or November, shall, for the next and all coming crops, pay the annual duty on the following 1st of January.

As, however, by thus abridging the hop credits, we to some extent put a pressure on the grower, and as we

are now for the first time going to admit the foreign hop grower to equal competition with him, we propose to grant a partial remission of the duty of Excise on hops, which will stand no longer at 19s. 7d., but at 14s. per cwt., or 1½d. per pound.

I also have to mention a change in respect of malt. Malt is at present prohibited. We propose to remit the prohibition, and to substitute a Customs' duty of 3s. per bushel. This duty of Customs is computed with reference to the Excise duty of 2s. 9d. and 5 per cent. per bushel, together with a further allowance in consideration of the indirect burdens imposed by the Excise on the maltster, over and above the direct charge of the duty. The subject of compensation reminds me that it is important to consider what will be the relation of the wine duties, altered as we propose, to the duty on malt. I shall be prepared to show that when the change in the wine duties has taken effect, wine of the only description that can compete with malt will pay a tax a great deal heavier than malt, and that malt, therefore, will not be subject to any undue pressure on account of the measure we take with respect to wine.

It is now time, Sir, that I should bring into one view the alterations which I have stated in detail. In doing so I must endeavour to place clearly before the mind of the Committee three separate sums.

First, there is the entire amount of the remission or relief to the consumers by the adoption of the plans we propose; secondly, the amount of loss to the revenue, which they will entail; and, thirdly, the amount of compensation which will be derived from the new charges, chiefly upon operations of trade, which we recommend for the adoption of Parliament. The Customs' duties altered under the stipulations of the treaty with France will give to the consumer, and to trade, relief to the ex-

tent of 1,737,000*l.*; and will cause a loss to the revenue of 1,190,000*l.* By the supplemental Customs' plan we shall give relief to the consumer, and to trade, amounting to 1,039,000*l.*, while there will be a loss to the revenue of 910,000*l.*; the total of relief will thus be 2,771,000*l.*; and the total loss to the revenue, 2,100,000*l.* In the Inland Revenue Department there will be a relief on paper of 1,000,000*l.*; on hops, 105,000*l.*; and on game certificates, 50,000*l.*; making in all, 1,155,000*l.*; and a total loss to the revenue, for the present financial year, of 990,000*l.* There will thus be a total relief to the consumer, and to trade, in the two Departments of Customs and Inland Revenue, equal to 3,931,000*l.*; and a loss to the revenue probably reaching 3,090,000*l.* The amount of compensation by means of increased consumption has here been estimated at 841,000*l.*, but there will be a further compensation, by new duties and charges, and by savings on establishments, amounting to 982,000*l.*; these two items when added form a total of 1,823,000*l.* Taking this computation, and deducting 1,823,000*l.* from 3,931,000*l.*, we shall find a probable net loss to the revenue for 1860-61 of 2,108,000*l.*; a sum which, as the Committee will observe, very nearly indeed corresponds with the amount of relief which we are about to receive by the falling in of the Long Annuities.

There will, it is true, be a further loss in consequence of the projected changes, after the close of the financial year, of something more than 700,000*l.* But I have no scruple in casting this burden on the year 1861-62, inasmuch as I feel that the effect of the changes we propose upon trade and consumption will be to enlarge the revenue of future years in more than a corresponding degree.

I will now state in a few words the effect of these changes in bringing forward that consummation most

desired of all Reformers, a simplification and reduction of the volume, so to speak, of our Customs' tariff. The number of articles subject to Customs' duties on the 1st of January, 1842, was 1052. In 1845, it amounted to 1163 articles; for I must remind the Committee, that the first operation of the reform of the tariff was to multiply the number of articles, in consequence of the transition from duties *ad valorem* to rated or specific duties, which of necessity caused an increase of the headings under which they were described. In 1853 the number of articles was 466; lastly, on the 1st of January, 1859, it was 419. After the changes now proposed are adopted, without allowing for certain subdivisions of the same article, such as the specification of two or three distinct qualities of sugar, the whole number of articles remaining on the tariff will be forty-eight. We shall have three classes of articles, including in all fifteen, which are in reality the only articles that will be retained on the tariff for purposes of revenue. They are as follows: First, five articles yielding from one to six millions: spirits, sugar, tea, tobacco, and wine. Secondly, four articles yielding from 200,000*l.* to 1,000,000*l.*: coffee, corn, currants, and timber. Thirdly, six articles yielding from 20,000*l.* to 200,000*l.*: chicory, figs and fig-cake, hops, pepper, raisins, and rice. Besides those fifteen articles, there are twenty-nine which, though yielding revenue, are only retained on special grounds. Thus five articles are retained on account of countervailing duties of Excise on domestic articles; and twenty-four more are retained, simply on account of their resemblance to one or other of the fifteen articles I have adverted to. We could not, for example, admit Eau de Cologne free of duty, while there is a duty on brandy. It thus follows that your Customs revenue will be derived substantially from fifteen articles. I hope that Reformers of

this department will be of opinion, that such a result assists to justify the changes we now propose.

There will then be a relief from indirect taxation of about 4,000,000*l.* in all. Out of that sum, 1,000,000*l.*, now received from the duty on paper, will tend especially to stimulate the demand for diffused and rural labour ; while 1,800,000*l.*, or not far short of 2,000,000*l.*, under the French treaty, together with 400,000*l.* more taken off the timber duties, will in every instance strike at differential duties, and will be the means of removing from the tariff its greatest, perhaps its only remaining deformities. There will be on the British tariff, after the adoption of these changes, no rates whatever intended to be in the nature of protective or differential duties ; unless we apply that name to the small charges which will still be levied upon timber and corn, and which amount in general, perhaps, to little more than 3 per cent. on the value. With these limited exceptions you will have a final disappearance of all protective and differential duties ; and the merchant, with the consumer, will know that every shilling which he pays, he pays in order that it may go to the revenue, and not to the domestic as against the foreign producer. You will have a great extension and increase of trade. You will have a remission of the principal restraints upon travellers ; and lastly, you will have a considerable reduction in the expenses of the Customs and Excise departments. I mentioned that, as is indeed obvious, those reductions must be brought about by degrees and in detail. They will not appear at all upon the estimates as they are presented for this year, because it is impossible to foresee, especially until we know what the decision of Parliament will be, the precise changes which are to be made. The immediate reduction in the Customs department will, however, if our plans be

adopted, be 50,000*l.*, in the Excise 36,000*l.*; and the ultimate reduction upon the expenses of the Customs department alone I expect will be somewhere about 150,000*l.* And now, Sir, I have stated the nature and extent of the changes we propose in the system of Customs and Excise.

It is now full time that I should once more and finally revert to the state of the general account. It would have been possible to come to it, perhaps, by a less circuitous route; and, as I stated before, a shilling income-tax would have balanced the income and expenditure of the State without any further trouble. But I am about to explain what are the means, by which we propose to bring about a just balance. I do not indeed pretend to present to the House a Budget, which grapples with all the difficulties of the case that is before us. I do not, let me again submit to the notice of the Committee, propose to provide for the Exchequer Bonds about to fall due; a shilling income-tax perhaps would have effected that purpose too. I have called the attention of the House to the fact that we are going to take away a period of six weeks from the credit now allowed to maltsters, which will give us 1,100,000*l.* within the financial year. The abridgment of the hop credit will give us 300,000*l.* more. The two sums together amount to 1,400,000*l.* They do not belong to the year, although, on the other hand, they are not borrowed money. These sums actually belong to the public; and they may be said at present to be public capital lent out to the producer of certain commodities without interest, which we propose to call in and apply to the purposes of the present year. But the deficit which I formerly pointed out, and which it is incumbent on us to supply, amounted to 9,400,000*l.* The aids which I have mentioned only reduce it to

8,000,000*l.* After this statement, you will not, perhaps, consider that there remains to us much liberty of choice. I have pointed out that an Income-tax of one shilling would completely fill the void, and would enable you to dispense with the remaining part of the war duties on tea and sugar. Without any remission of the duties on sugar, or tea, or paper, and without the slightest attempt to improve your fiscal laws and extend your trade, you cannot escape with an Income-tax less than the amount at which it now stands, 9*d.* in the pound. We have proposed to you a remission which goes to the extent of 4,000,000*l.*; and the additional taxation which we have thus far presented, falls almost wholly upon trade; and now I will state in what manner we propose to supply the deficiency which remains. The charge for 1860-61, as I have stated, is 70,100,000*l.*; the income with the tea and sugar duties at their *minimum* would have been 60,700,000*l.* Deducting from that income the loss by remissions, the amount would be 58,592,000*l.* But, by retaining the tea and sugar duties at their present rates, we shall have an addition of 2,100,000*l.*; and thus we bring up the income to nearly the point where it before stood, or 60,692,000*l.* But when we compare 60,692,000*l.* with 70,100,000*l.*, there is still a deficiency of nearly 9,500,000*l.* Against that deficiency, besides taking up the malt and hop credits, which will give 1,400,000*l.*, we propose to renew the Income-tax at a rate only higher by one penny, than that which it would be necessary under any circumstances to propose; viz., at the rate of 10*d.* in the pound. The assessment will be at 10*d.* in the pound on incomes above 150*l.*, and at 7*d.* in the pound below that amount. No new returns will be called for under any of the Schedules; and the tax will be taken for one year only. For, both with regard to that subject, and to the duties on tea and

sugar, we wish to reserve to Parliament the fullest and freest discretion. Instead of the old system, under which only half the year's Income-tax was collected within the year, although by law three quarters ought to be collected, we shall require three quarters to be actually collected. The consequence of that will be, that the Income-tax at 10*d.*, with three quarters collected within the year, will give 8,472,000*l.* There will still remain due, after April, 1861, one quarter of the Income-tax, about 2,250,000*l.*, nearly the same sum as now remains due by law after April, 1860. There is but one rather slight change in the application of the tax, which we propose; it regards the mode of assessing railways. This proposal, which will be convenient, as we think, both for the companies and for the Government, will be to assess them at their head offices instead of in the various districts through which they run. I think the House will now understand, how the final balance for the year will be adjusted. But I may repeat the particulars. The revenue, after the deductions and remissions, and without allowing for what may be called the war duties on tea and sugar, stands at 58,592,000*l.* I put the tea and sugar duties, renewed at the present rates, as yielding 2,100,000*l.*; the malt and hop credits taken up give 1,400,000*l.*; the Income-tax for three quarters of the year furnishes 8,472,000*l.* That brings up the total income to 70,564,000*l.* The total charge is 70,100,000*l.*; and thus we remain with an apparent or estimated surplus of 464,000*l.*

As regards the method of proceeding to submit these measures, and in conformity with what I have already said, I shall ask the Committee to pass the vote relating to chicory to-night. And the order in which we will take the other subjects will, without reference to any

other matter which may intervene, be as follows. We shall proceed first with those portions of the Customs' duties which are involved in the treaty with France; and among them we shall begin with the duties on wines. I can hardly overstate to the Committee the importance, both to trade and to the revenue, of proceeding to deal with these subjects on the earliest possible day. We should not like to make an unreasonable demand on the House or on individual members; and, as I now speak on Friday, we could not ask the House to take an earlier day than Thursday next; but I trust that the Committee, and its members individually, will allow of our proceeding on that day in a matter where dispatch is of so great importance. We should, after that, proceed with the supplementary Resolutions, or the second part of our plan relating to the Customs duties; we should next take the duties of Excise; and after these the duties on tea and sugar. Probably before we get so far we shall have made some progress in the Estimates, and it will be then convenient to propose the bill for renewing the Income-tax at 10*d.* and 7*d.* in the pound.

And now, Sir, without seeking to place on the propositions I have made a colour more favourable than they may deserve, I have endeavoured to bring strongly and clearly into view the most prominent features of the plan of the Government. We propose an ample provision for the service of the year. In consideration of the great demands made on the people, our plan gives a sanction to the employment of some subsidiary resources in aid of the ordinary revenue of the year. It involves also a high rate of income tax; and it abandons all endeavour to make a financial settlement for a term of years, a method which we do not think suited to the existing state of affairs. Those gentlemen who may

entertain a hope of some material reduction in our expenditure at an early date will be disposed, I think, to agree in the wisdom and propriety of such a course. Our proposals involve a great reform in our tariff; they involve a large remission of taxation, and last of all, though not least, they include that commercial treaty with France which, though we have to apprehend that objections will in some quarters be taken to it, we confidently recommend, not only on moral, and social, and political, but also, and with equal confidence, on economical and fiscal grounds. In conclusion, I may presume to say that I feel a hope which amounts to a persuasion, that this House, whatever may happen, will not shrink from its duty. After all it has heretofore achieved by resolute and persevering commercial reforms on behalf of the masses of the people, and not on behalf of them alone, but on behalf of every class, on behalf of the Throne, and on behalf of the institutions of the country, I feel convinced that this House will not refuse to go boldly forward in the direction, in which Parliament has already reaped such honours and rewards. By pursuing such a course as this it will be in your power to scatter blessings among the people, and blessings which are among the soundest and most wholesome of all the blessings at your disposal; because, in legislation of this kind, you are not forging mechanical supports and helps for men, nor endeavouring to do that for them which they ought to do for themselves; but you are enlarging their means without narrowing their freedom, you are giving value to their labour, you are appealing to their sense of responsibility, you are not impairing their temper of honourable self-dependence. There were times, now long gone by, when Sovereigns made progress through the land, and when, at the proclamation of their heralds, they caused to be scattered whole showers of coin among

the people who thronged upon their steps. That may have been a goodly spectacle ; but it is also a goodly spectacle, and one adapted to the altered spirit and circumstances of our times, when our Sovereign is enabled, through the wisdom of her great Council, assembled in Parliament around her, again to scatter blessings among her subjects by means of wise and prudent laws ; of laws which do not sap in any respect the foundations of duty or of manhood, but which strike away the shackles from the arm of industry, which give new incentives and new rewards to toil, and which win more and more for the Throne and for the institutions of the country the gratitude, the confidence, and the love of an united people. Let me say even to those who are anxious, and justly anxious, on the subject of our national defences, that that which stirs the flame of patriotism in men, that which binds them in one heart and soul, that which gives them increased confidence in their rulers, that which makes them feel and know that they are treated with justice, and that we who represent them are labouring incessantly and earnestly for their good—is in itself no small, no feeble, and no transitory part of national defence. We recommend these proposals to your impartial and searching inquiry. We do not presume indeed to make a claim on your acknowledgments ; but neither do we desire to draw on your unrequited confidence, nor to lodge an appeal to your compassion. We ask for nothing more than your dispassionate judgment, and for nothing less ; we know that our plan will receive that justice at your hands ; and we confidently anticipate on its behalf the approval alike of the Parliament and the nation.

FINANCIAL STATEMENT OF 1861.

DELIVERED ON MONDAY, APRIL 15, 1861.

The House having resolved itself into a Committee of Ways and Means,

The CHANCELLOR of the EXCHEQUER rose and said,—

MR. MASSEY, the retrospective portion of the statement I have to submit to you is the most unfavourable—perhaps I may say it is the only unfavourable—statement of account that it has ever been my lot to lay before the House of Commons. For that, as well as for other reasons, the Committee will, I hope, forgive me, if I invite their attention somewhat at large to its details. Whatever else we may think of the legislation of last year, we must all concur in the opinion, that it was no ordinary year in the financial history of this country. It was a year in which the House gave its sanction to that great instrument, the Treaty of Commerce with France. It was a year in which we received a remission of our hereditary burdens, through the diminution of the charge on the Debt, such as we probably never shall receive again. It was a year, in which the controversy with respect to Protection, so long the leading cause of agitation in the country, and of political disorganisation in this House, may be said to have been at length finally wound up; for it closed without leaving on the Statute Book of the United Kingdom one single properly protective duty of more than nominal amount.

It was also a year of the highest taxation, and of the greatest expenditure, that has ever been known in this country, unless in the midst of an European war. And, finally, it was a year marked by a succession of seasons—the spring, the summer, the autumn, and the winter—the most unfavourable of all, with which it has pleased Providence to visit us during the course of about half a century. The questions, I may further observe, which were debated in this House during the last Session, were questions of no ordinary moment, from whatever point of view we may regard them. The issue which they raised was no trifling issue. In the beautiful tragedy of Schiller, Mary Queen of Scots is made to say of herself, “I have been much hated, but I have also been much beloved;” and I think I may with equal truth say that the financial legislation of last year, while I do not mean to contend that it was not unacceptable to many, met, as a whole, with signal support from a great mass and power of public opinion in the country. Be that as it may, I feel bound to admit, that although the financial proposals of the Government were in the last Session fully and minutely, and even keenly, canvassed, they were also fairly and in no merely factious spirit discussed within these walls.

In taking a retrospective view of those measures, and of the commencement, at least, of their operation, it will be my duty to lay before the Committee, as far as I am able, the whole of the material facts exhibited by the financial history of the past year; and while I cannot but doubt that I must perform that task most imperfectly, yet I must add that the shortcomings in that respect, with which I may be chargeable, will not be owing to any want on my part either of will or of effort. I may further add that, in making this statement, I hope to be seconded in my desire to afford the fullest information

to the Committee by the patient indulgence of its Members, on both the one side of the House and on the other.

I shall first, Sir, as usual, have to submit to your notice the estimated and the actual expenditure of the past year. The expenditure which was estimated and provided for in the regular Votes for the year, and which stood entirely apart from the special Act passed towards the close of the Session, for erecting with borrowed money certain fortifications, amounted to 73,664,000*l*. And, Sir, inasmuch as that Act, relating to an extended scheme of fortifications, was by common consent treated as a matter entirely distinct from the ordinary financial arrangements of the year, I shall not further refer to it, except casually, and with special notice, on one or two points; nor shall I in any manner include its provisions in the general statement I have to make to-night.

The estimated expenditure was then, as I said, 73,664,000*l*. : while the actual expenditure was 72,842,000*l*. ; thus, as is apt to happen at a time when great extensions of military and naval charge are in progress, following closer on the estimated expenditure than is usually the case, but still falling considerably short of it, and showing a difference of 822,000*l*. in favour of the Exchequer.

Sir, into the details of this difference for the last year I do not mean to enter; but thus much I may say: that, while there was a considerable saving on the estimate for the collection of the revenue, and a certain amount of saving on some other estimates, there was a considerable overcharge for the navy, resulting from the settlement of the accounts of former years. This extra charge and this saving nearly balance one another; so that the sum of 822,000*l*., which I have mentioned as representing the difference in our favour as between

estimated and actual expenditure, is a difference almost entirely due to the very large Vote of Credit, taken for the prosecution of military operations in China. That Vote, which I submitted to the House last July, amounted to 3,800,000*l.*, while the expenditure amounted only to something more than 3,000,000*l.*; a fact which ought to be sufficient to convince the Committee, that any man laboured under a delusion who supposed that it was the object, or the tendency, of the Government in the last Session, to understate the demands for the public service, or that they ventured to invite the sanction of the House to anything except what they believed in their consciences to be an adequate provision for the military operations, in which there was a prospect of our becoming engaged. I have, I may add, stated the balance remaining to us on the China Vote in round numbers, for it is in point of fact somewhat less than 800,000*l.*

But, passing on from that point, I shall next proceed to the examination of the Revenue of the past financial year: a subject, in dealing with which the Committee will, no doubt, follow me with a greater degree of interest. That subject I will endeavour to place before you in all the various lights by which, so far as I am able to form an opinion, it may be in my power to increase your means of knowledge with respect to it. And this in three principal modes. I will first compare the Revenue of the last with that of the previous year; then I shall compare it with the actual expenditure of the year itself; and, finally, with the Estimates, as they were framed at the commencement of the year. The two last of these modes of comparison will render the Committee some assistance in forming an opinion on the question, how far the Government exercised a sound judgment in the calculations which they made before-

hand. But I may observe that the first mode of dealing with the point—that is to say, the comparison between the Revenue of the last and that of the previous year—is the mode of the greatest public and general interest, if it be regarded as a means of bringing into view the general condition of the country.

In 1859 we had a year, of which I may say all the circumstances were favourable to the Revenue. How favourable they were, indeed, may be judged from the following circumstance. On the 10th of February, 1860, I, proceeding on the Estimates framed in the public departments, told the House of Commons I anticipated little more than a balance of revenue and expenditure, after provision should have been made for a specified amount of charge on account of the operations in China. When, however, the 31st of March arrived, there was a balance in our favour to—nominally a greater extent—but in reality to the extent of about 1,200,000*l*. In 1860-61, on the contrary, we have had a year of unfavourable circumstances, so far as they depend upon one particular dispensation of Providence; a year in which the supply of the fruits of the earth was sorely stinted, and which may be looked upon as one of the severest within the memory of any living man. The Revenue of 1859-60 was 71,089,000*l*., and the Revenue of 1860-61 was 70,283,000*l*. There is an apparent decrease of 806,000*l*. In proceeding to comment on this decrease, I hope the Committee will not think I am trifling with their understandings, when I point out to them that one of these years was, for fiscal purposes, materially shorter than the other. The revenue of this country is in the gross about 200,000*l*. a day, for every paying day in the year; and that part of it, which depends strictly upon operations from day to day, may be stated at fully 100,000*l*. a day. The year 1860-61 was, for every

practical purpose, shorter by three days than 1859-60. It was shorter in this way :—1859-60 was a Leap year, which accounts for one day ; and 1860-61 was in the predicament—most happy with reference to our other interests, but not favourable to the interests of the Revenue—of both commencing and ending with a Sunday. By means of this closing Sunday there was a loss of a clear day's income on the balance-sheet. And the third day is accounted for by the circumstance that in the course of the year 1860-61 there fell two Good Fridays ; one of them was at the very close of the year, and the effect of it, with the following Sunday, was to throw some business and some payment of duty forward into the account of the present financial year. After thus noticing, however, that two Good Fridays fell to our lot in the course of 1860-61, I may mention to the Committee that in the year now current, 1861-62, there is no Good Friday at all. Now, Sir, the deduction of three days, representing revenue to the amount of 300,000*l.*, shows a real diminution in the Revenue of 1860-61, as compared with 1859-60, of 506,000*l.*, or, in round numbers, half a million ; and that, upon the whole, is a fair and just comparison as between the two years, so far as the totals are concerned.

With respect to particulars, I have endeavoured to examine the subject with all the care in my power, and what I find is as follows. We remitted taxes last year to the extent of 2,900,000*l.*, or, in round numbers, 3,000,000*l.* ; but what with the Income-tax, the additional spirit duty, and the minor charges of all kinds, we estimated the proceeds of new taxes at a sum not very far short of the same amount. So far, therefore, the balance was not materially disturbed. There was one other point, however, which might have disturbed and did disturb it. It was this—in both years we made

some draughts on temporary resources. In 1859-60 we had 856,000*l.* from the first curtailment of the malt credit; and we had, likewise, the sum of 250,000*l.* in the shape of a repayment of a debt from Spain, making together 1,106,000*l.* In 1860-61 we also made, by anticipation, a large demand upon temporary resources. We were to receive 300,000*l.* from the hop duty; but that sum entirely disappeared from the receipts of the year, partly by the failure of the crop, which has very greatly reduced it, and partly by the necessity of postponing the payment upon the reduced crop. Again, we were to have 1,100,000*l.* on account of the second curtailment of the credit allowed in collecting the malt duty; but that sum, owing altogether to the disastrous circumstances of the harvest, shrank into 778,000*l.* We have got 250,000*l.* from Spain, a payment equal in amount to that made in the previous year; so that, as compared with 1,106,000*l.* of temporary resources in 1859-60, we had 1,028,000*l.* in 1860-61. It is, consequently, fair and just to say that the absolute Revenue of the country, after making every reasonable deduction, diminished under the circumstances of the last year, at the very outside, by about 500,000*l.* I must confess, Sir, that when I consider that the bad season of last year certainly did not represent a loss to the Revenue upon the whole of less than from 20,000,000*l.* to 30,000,000*l.*, I cannot but regard with satisfaction the fact that the country exhibits a real deficiency in the produce of its taxes to an extent not exceeding, but rather falling short of, 500,000*l.* And I cannot doubt that if we had been blessed with a season of ordinary clemency, we should, in lieu of a deficiency under this head, have been able to present a considerable growth in the national income.

Let me now, in the second place, compare the revenue

with the expenditure of the country for the year. The expenditure of 1860-61 was 72,842,000*l.*; and the Revenue, as I have said, was 70,283,000*l.*; showing, upon the face of the figures, a deficiency of 2,559,000*l.* But, Sir, this account likewise requires some rectification. In the first place, a sum of 288,000*l.*, or, in round numbers, 300,000*l.*, out of the 2,559,000*l.*, belongs in every substantial respect to the account of 1859-60, and has been allowed for in my statement of the surplus for that year. The matter stands thus. There was a payment made by the State, on account of drawback, to the holders of certain stocks of wine. It was estimated and allowed for by me in the accounts of 1860-61 at 350,000*l.*, and was so taken by the House at the time when the final statement of estimated revenue and charge for that year was laid before it. But the arrangements, which were necessary before that money could be paid to the wine-merchants, could not be completed within the financial year. Of course, not having been disbursed within the year 1859-60, it went into the cash-balances of the country as part of the surplus revenue; and it was merely owing to a legal technicality that we were obliged to charge it as part of the expenditure for 1860-61. It is a legitimate deduction; for it has nothing to do with the real expenditure of 1860-61. That deficiency is thus reduced to 2,271,000*l.*, or in round numbers, 2,250,000*l.*

Further, it will be recollected that the larger part of this deficiency lay within the financial anticipations and arrangements of last year. In the month of July, when we had before us the estimate of the charge for the war with China, the Government proposed, and the House agreed, I think without opposition or objection, that a portion of that heavy charge should be defrayed from taxes, and that the remaining portion should be taken from the balances in the Exchequer, which were in a

state well able to bear it. I will not now enter upon the question, whether this may substantially be said to be equivalent to borrowing a corresponding amount of money. It is certainly the withdrawal of so much available cash from the coffers of the State, the consumption of so much of the national treasure. A sum of about 1,300,000*l.*, or, as it was afterwards reckoned, 1,400,000*l.*, was the sum, included in the final estimates of expenditure, for which we made no provision; in other words, that was the amount which we were to take from the balances in the Exchequer. If we deduct that estimated sum of (say) 1,416,000*l.* from 2,271,000*l.*, representing the actual deficiency that stands on the balance sheet of the year, it follows that the real deficiency, over and above what was anticipated in 1860-61, and what was sanctioned by Parliament, is 855,000*l.*; and certainly, in a year of charges so heavy, and of receipts so unusually stinted with reference to the permanent power and resources of this country, I do not think that is altogether an unsatisfactory result.

But, Sir, I come now to that which has more to do with the question of the judgment that the House of Commons may be disposed to pass upon the Government—I mean the comparison between the Revenue of the year, and the Estimates of that Revenue, which I laid before the House in the last Session. I shall not refer at any length, Sir, to the various, and, happily, contradictory complaints that were made from different quarters; some alleging that the estimates of the Revenue had been outrageously swollen through the partial leanings of the Government; and others asserting, with equal confidence, and I have no doubt equal sincerity, that an improper reserve had been exercised, and that the estimates of Revenue presented to the House were kept far below what everybody knew would be realised. The

Revenue as estimated was 72,248,000*l.*; the actual Revenue was 70,283,000*l.*; the difference was 1,965,000*l.*, or, in round numbers, for the purposes of this discussion, I will call it 2,000,000*l.* Now, Sir, if the Committee will—as I am sure they will—give me their kind and unwearied patience to assist me in the task, I will ask the particular attention of the Committee to the constituent elements of this sum of 2,000,000*l.*; because they are material as throwing light, not only, nor mainly upon the conduct of the Government, or even upon the wisdom of the proceedings of Parliament in a particular Session, but upon a number of questions of very considerable permanent interest and importance in connection with the welfare of the country.

To bring clearly before the mind of the Committee the manner in which this difference of 2,000,000*l.* has arisen, I shall first deal in the gross with all branches of revenue which are of the least importance to the issue—all branches, namely, except the two great branches of Customs and Excise. The several branches of Stamps, Assessed Taxes, Income Tax, the Post Office, Crown lands, and Miscellaneous receipts, were estimated to yield, taken together, 27,457,000*l.* They actually produced 27,542,000*l.*, showing an excess of 85,000*l.* Some heads may have been fifty thousand above the estimate, others were fifty thousand below it; but we may overlook these details, satisfied with the fact that these branches of revenue yielded, in the aggregate, as nearly as may be what they were estimated to produce.

A word in passing on the subject of what are called the minor duties, adopted by Parliament as a set-off against a portion of the Tariff reform of last year. And this, Sir, not because they form a vital or important part of the present question, but because there is some misapprehension with respect to them. When they were

originally proposed to Parliament in February they were expected to yield about 900,000*l*. But in the course of the Session some important changes were made in them, with a view to diminished pressure on the trading community, upon whom very many, and indeed the chief of them, immediately fell. The consequence was that the ultimate estimate of the yield of these taxes, after taking credit for a number of small adjustments, was not more than about 590,000*l*. One of the duties, that upon chicory, remained in abeyance during the greater part of the year in consequence of the largeness of the stocks which had been imported into this country, and which, having been imported free of charge, were naturally enough worked down to exhaustion, before any duty-paying parcels were brought into the market. It should, likewise, be borne in mind that the Act for the granting of wine licences was passed only last year; and although I must say it was passed with as much expedition as was consistent with the consideration that so important a subject demanded and received at the hands of the House, yet it was not possible to get it into full operation until the end of the summer and travelling season, so that up to the close of the financial year it has had only a very partial effect. In other respects I do not know that the produce of these minor duties was materially different from the final form of the financial estimate.

I come now, Sir, to the revenue of the Customs and the Excise. And first of all I must warn the Committee that the revenue of Customs, as it stands in the figures that hon. gentlemen have seen in the public journals, is too favourably represented. The Customs were finally, I mean according to the Supplemental Statement of last July, estimated to yield 23,430,000*l*. They actually yielded 23,305,000*l*.; that is, there was an apparent deficit of 125,000*l*.; but, although that difference is a

decrease, yet substantially it may be said to represent equality. For, on the one hand, we have to allow for that shortness of the year which I have already explained ; and on the other hand it so happened that the amount paid into the Exchequer was somewhat in excess, as compared with the actual receipts of the department. I need not trouble the Committee with details, but, when these items are reckoned, they leave both sides of the account nearly balanced, and we may dismiss the subject of the revenue of Customs with the observation that it yielded, as nearly as possible, what it was estimated to yield.

But then it is material to observe that, in all cases of this kind, the revenue of Customs profits unduly at the cost of the revenue of Excise. When we have a bad year, the meaning is we have bad seasons ; when we have bad seasons the meaning is that the domestic produce of the soil is less abundant than usual. If the produce of the soil at home is less abundant than usual, more produce must be imported from abroad ; and though little of it, comparatively, is subjected to duty, and none of it to high duty, yet, of course, the operation virtually tends to remove certain dutiable commodities from the region of the Excise, and brings to the credit of the Customs sums of money which may have accrued from any such cause. Sir, that is particularly remarkable in the present case, so far as regards the great article of corn. We call, and perhaps call not unjustly, our duty on corn a nominal duty ; and yet the yield of that nominal duty, in the year just expired, was no less than 866,000*l*. Sir, the mere amount of that receipt for the year, I confess, I regard not with pleasure, but with dissatisfaction. Every pound we receive from corn, over and above the sum received in average years, reminds us that our own harvest has so far fallen short of what is necessary to supply the

ordinary wants of the country. It tells a melancholy tale, in the first instance, of deficient yield from our own soil; and in the second place, every such pound gained tells probably of two or three pounds withdrawn and withheld from the Revenue in the shape of a narrowed consumption of comforts and luxuries by the people. On corn I reckon that in the past year there has been an increase of 366,000*l.* over and above the sum of 500,000*l.*, which I take generally to represent the average Revenue from this article. In addition to this sum, 54,000*l.* was received on sugar used in breweries, to supply, and that but very partially, the deficiency caused by the deplorable failure of the crop of barley. A sum of 47,000*l.* was obtained from Customs' duty on hops; an amount in some part due from a similar cause. The three items, however, of corn, sugar, and malt, together make a difference of 467,000*l.*; which comes, I may say, unlawfully to the credit of the Customs, and which represents far more than a corresponding prejudice to the Excise.

It is worth while, if we consider how important is the subject of the connection between the amount of duties received and the condition of the people, and if the Committee will allow me, to exhibit it to them anew by means of some further detail. If I take three great articles immediately connected with the condition of the people, and paying Customs' duty, which together yield no less than 17,000,000*l.* yearly—I mean the articles of tea, sugar, and tobacco—the revenue from these three articles, during the past financial year, notwithstanding the growth of the population in numbers, was entirely stationary. Tea, taken alone, showed an increase of 5000*l.*; sugar an increase of 18,000*l.*; but tobacco showed a decrease of 21,000*l.*; so that the increase on tea and sugar exceeded the decrease on tobacco by a sum of no more than 2000*l.* But then, as I have already said,

54,000*l.* was received on sugar used in breweries as a substitute for malt; so that the actual decrease was 52,000*l.* on these three great articles, so immediately connected with the comforts of the community, and the amount of revenue on which forms a measure and a test of the degree in which those comforts are enjoyed.

The Committee will, no doubt, desire to know what has been the effect of the changes which have been brought about by the reduction of the Customs' duties on a number of imported articles. All I can say must be by way of general description as to the operation of those changes, inasmuch as we must bear in mind that narrowed power of consumption which we may trace throughout all the figures of Customs and Excise during the year. And I must confess we find that, under the circumstances, the result of these changes has been not unsatisfactory; certainly, it has been less unsatisfactory than the figures which I have just given to the Committee. I reserve for separate consideration the articles of spirits and wine. I begin by taking together all the other articles on which duties were reduced in the last Session of Parliament, of which the principal were timber, hops, raisins, currants, figs, and a few others. The total amount of reduction on these articles last Session was 663,000*l.* The total loss to the Revenue was 529,000*l.* So that there has been a recovery by increased consumption amounting to 124,000*l.*; a recovery which, I have no doubt, would have been much greater, had the circumstances of the year been more favourable. Next, with regard to spirits imported from abroad, the Committee will observe that we made two changes last year, and these in opposite directions. We began in February, 1860, by abolishing in substance the differential Customs' duty on spirits, although a small difference was retained, enough, but only enough, to

cover the proved cost, which Excise regulations entail on the British distiller. The amount of reduction on brandy, which was the only material article affected under this head, was 446,000*l.* But in July we laid an additional duty on foreign as well as on British spirits of one shilling and elevenpence per gallon, which was estimated to yield 400,000*l.*; so that, in point of fact, the balance of relief we gave on the article of spirits imported from abroad was only 46,000*l.* We surrendered 46,000*l.* of revenue—that is to say, taking all the three descriptions of imported spirits together, two of which were not affected by the decrease, but all of which were affected by the subsequent increase, the result was that the increase on Geneva was 67,000*l.*, and on rum 193,000*l.*, while on brandy there was a diminution over the whole year of 181,000*l.*; so that there was an actual gain to the limited extent of 79,000*l.* on spirits, together with a relief from taxation of 46,000*l.*

But the most important and interesting of the changes made last Session, with regard alike to its own very peculiar character, to its effect on the Revenue, and to its connection with the comforts of the people, was the change which was made in the duties on wine. I will endeavour to state the facts to the Committee without any unnecessary waste of words, but, at the same time, with so much of fulness and clearness, as are essential in order to appreciate the substantial results. With regard to this particular alteration of Customs' duty my belief is that, when we compare the new system with the old, we may say that this particular change, of all the changes which have hitherto been made in Customs' duties, was, in the first place, as a mere fiscal change, the most difficult to carry into execution, on account of the administrative operations necessarily attending it; it was, secondly, sure to be the slowest of them all in working

out its full results; and, thirdly, as I believe, it was perhaps the very best. The loss which I anticipated upon wine—that is, the amount of relief to be given to the consumer by the reduction of that duty—was 830,000*l*. The actual loss sustained by the Revenue has been 493,000*l*. We have here, then, the important fact that of all the articles in the tariff, wine is the only one that has faced the unfavourable circumstances of the year, and has brought us even a larger revenue than I ventured, calculating on an average state of circumstances, to expect. The utmost reduction of our loss which I ventured to state to the House as likely to be brought about by the increase in consumption, was from 830,000*l* to 515,000*l*. So that wine, and wine alone, has done all, and more than all, which I anticipated; and the actual loss is only 493,000*l*. We began, as the Committee will recollect, with a simple reduction of duty from about five shillings and tenpence to three shillings. But we ended the year with the initiation in full of the new system of charging the duties according to alcoholic strength, which was contemplated and provided for in the Act of last year; and since the new system of charging the duties began, the deliveries I think, speaking roughly, have been not less than double what they were under the former system. Whether they will continue at so high a figure I by no means pretend at this moment confidently to predict; but I have no reason to doubt they will continue at a satisfactory general rate of increase, both as regards the consumption of the country and as regards the receipts of the Exchequer.

I will now give to the Committee, very briefly, the figures as regards the importation of wine into this country in the years 1859-60 and 1860-61. In the financial year 1859-60, wine, other than French, was imported to the extent of 8,021,000 gallons, while French

wine was imported to the extent of 1,155,000 gallons. And here I ought to say I think the importation was in a very considerable degree increased by the fact that the changes in the law were made some two months before the end of the year. The total importation of wine, therefore, in the year ending March 31, 1860, was 9,176,000 gallons. In 1860-61 the importation of wine other than French increased from 8,021,000 to 9,878,000, while the importation of French wines increased from 1,156,000 gallons to 2,631,000 gallons. The total importation was thus 12,509,000 gallons against 9,176,000 in the preceding year. The increase upon French wine was 1,476,000 gallons, or 127 per cent.; while the total increase of all wines was 3,333,000 gallons, or 36 per cent.

I must here observe, as I have done on other occasions, that it will take a long time to work out the full effects of the changes we have made in the duties upon wine. I think the lessons of former experience distinctly teach us, that such will be the case. I believe it would be in the power of any ingenious person who made adequate research into the subject, to write an exceedingly curious tract upon the history of the taste for wine in this country. The changes which that taste has undergone have been wonderful; but substantially, we may say—and I hope the hon. Member for Norfolk (Mr. Bentinck) will not be shocked by the assertion I am about to venture—we may say that in the really “good old times” of “Merrie England,”—that is to say, in those times which are sufficiently remote from our own to merit the application of that laudatory epithet—in those times the prevailing taste in this country was for light wine. Strange as it may seem, the taste for wine has been materially connected with the course of politics. The Revolution of 1688, and still more the Hanoverian

Succession, and the wars with France, brought about political arrangements bearing upon commerce, which have greatly altered the taste of this country as to wine; so that a people which, as a people, had before loved light wines, began to love strong wines. I believe it is a fact that the University of Oxford, with which I have the honour to be intimately connected, actually petitioned Parliament against the grievance of the imposition of a high duty upon light wines, on the ground that it almost compelled them to drink port. It is impossible to look into the literature of the last century without finding ample evidence to the same effect. There is an interesting work, which, no doubt, many hon. Members have read, and which describes the state of things in Scotland about a century back; I mean the 'Autobiography of Dr. Alexander Carlyle.' Dr. Alexander Carlyle may be said to have been a gentleman-clergyman of the Established Church of Scotland. I do not mean to say a word against his character; but it is quite evident to anybody who examines his memoir, that whatever his theological and pastoral qualifications may have been, he added to them a perfect acquaintance with the science of good living. Nothing struck me more in perusing his work than the frequent notices which are interspersed, here, there, and everywhere throughout his pages, of the uses, merits, and prices of different kinds of wines; and I think it to be an important fact which this gentleman puts upon record, when he informs us that the hotel price of claret in Edinburgh 100 years ago, at a club with which he dined—wine of a quality with which he was satisfied, and, therefore, with which I have little doubt that any one of us would now be satisfied—the hotel price of that wine was not more than 18s. per dozen. This is a matter, I say, with regard to which it may take a long time to develop fully any alteration likely

to take place in the taste of this country. Yet, even at this very early period, I cannot avoid mentioning to the Committee some information which I received a few weeks back from a deputation which attended me upon this subject. The deputation was composed of persons who, I believe, were keepers of refreshment-houses with beer licences, in the eastern part of the metropolis, and who had, likewise, taken out wine licences. They gave me the joint results of their experience, and it contained one element of comfort for the hon. gentleman opposite, who, I know, has a strong opinion upon the comparative merits of light wines and powerful wines. They said the effect of their having taken out wine licences was, that a moderate proportion, or from five to ten per cent. of their entire takings, or sales, consisted of wine, which it was their practice to sell at 8s. per gallon as draught wine, and which was formerly not to be had at all except in bottle. I believe the lowest price of wine which was accessible in that way to the ordinary consumer was from 2s. 6d. to 3s. per bottle, or 18s. per gallon. That deputation, likewise, communicated to me another fact, which I confess I learnt with much interest, namely, that but a small proportion of the wine sold by them was consumed upon the premises, the chief part being fetched from thence to the houses of the poor; and, as far as they knew, it was principally intended for the use of the sick. They also said—and this is the circumstance of which the hon. gentleman opposite will hear with satisfaction—that the wine in demand among their customers was entirely and exclusively strong wine, and that no symptoms of a taste oscillating in favour of weak wines had yet made its appearance among that portion, at least, of the community.

Before quitting this subject, I wish to refer to the rumours that have gone abroad, as to some supposed

intention of the Government to change the system now in operation, for charging the duties upon wine according to its alcoholic strength ascertained by distillation. And I have to say upon that point, in the first place, that I think the department of Customs deserves credit from this Committee for the energy, intelligence, skill, and desire to meet the convenience of all parties, with which they have applied themselves to the introduction of a new, and undoubtedly, at first, a difficult system. But I have further to say upon this subject, that the results of the system are, upon the whole, in a high degree satisfactory; that we are convinced that it will be effectual for its main object; and that it deserves to be firmly and resolutely supported by the House. It may be true that a portion of it may be found less favourable, than was hoped and expected by some portion of the wine-growers of France—I mean especially those of the South—for the introduction of their wine; it is, likewise, true that I do not pretend to represent that in all its details the system is perfect; but I do say that its inconveniences are few, as compared with its advantages; and I think the Committee will feel that it would be absurd to attempt to ascertain and amend those minor defects that may be found in the law as to the precise adjustment of the scale, until we shall have had such an amount of experience that, when we do touch them, we may reasonably expect to touch them satisfactorily and effectually; or until we may feel we have escaped the danger of being obliged to amend, or rather to cobble, our own work from year to year. I do not think the time has yet arrived, nor that it will arrive in the present year, for any change at all. When it does come, I hope such minor changes as may be found requisite may be made; and I am quite sure that, when they shall be made, the honourable and

enlightened conduct of the Government of France in respect to the Commercial Treaty, and the adjustment of its own laws to meet the requirements of that treaty, will not be forgotten either by the present or by any other Administration holding power in England.

So much, then, for the revenue from Customs. But there still remains to be considered the Excise revenue of the past year. The revenue from Excise was estimated in 1860 as likely to be 21,361,000*l*. Instead of that amount, the actual receipt was only 19,435,000*l*. ; showing a deficit of 1,926,000*l*. In point of fact, if the Members of the Committee will be at the pains of comparing the deficit upon the Excise with the entire deficit upon the aggregate revenue as compared with the Estimates, they will find that they correspond within a few thousands of pounds.

This heavy deficit upon the Excise arises upon three articles ; first upon hops, which were estimated to produce 870,000*l*., while they really yielded only 580,000*l*., with a deficiency in round numbers of 300,000*l*. The next item was malt, which was estimated to produce 6,900,000*l*., but which yielded only 6,116,000*l*., with a deficiency of nearly 800,000*l*. The third article was the article of spirits, which was estimated to produce 10,150,000*l*., but which actually yielded but 9,240,000*l*., with a deficit of 910,000*l*. Thus the deficiencies upon these three articles together represent the sources of the failure of the Revenue of the year to reach its estimated amount.

As for the hop duty, in the first place, that portion of the deficit is accounted for in a manner so plain by the immediate operation of the season, that I need not detain the Committee upon the point. The whole duty chargeable upon British hops was 70,000*l*., instead of 300,000*l*., which was the amount that would have been

yielded by a fair moderate crop, and was also the amount estimated for the year ; and I may observe, for the information of the Committee, that as the periods allowed for credit were abridged by an Act of last year, two years' crops are included in the 870,000*l.* which I have mentioned. Even of that 70,000*l.*, it became necessary for the Government, in the exercise of its discretion, to allow the payment to be postponed, so as to pass into the next, that is to say, the present financial year. Thus, then, the sum of 300,000*l.* is disposed of. As to malt, I am sorry to say that the 800,000*l.* I have mentioned can scarcely be said to represent the whole extent of the evil. There is no doubt that the relation between the consumption of beer and the manufacture of malt, although a substantial relation of cause and effect, is not one which finds immediate expression in the figures of the year ; but still it is undoubtedly true that, with a favourable year, we ought to have had a considerable advance in the consumption of malt and of beer ; because the revenue from malt has been deriving benefit for some time, especially in Ireland, from successive augmentations in the spirit duties ; and the sale of beer must likewise have benefited materially during the last year throughout the three kingdoms, in consequence of the general increase of duty upon spirits in the month of July, 1860, which was enacted without any corresponding increase in the duties upon malt. It is one main complaint of the distillers of spirits—than whom I never had the pleasure of meeting with a more intelligent body of British merchants or tradesmen—it is one of their chief complaints that they are taxed, as they think, most unfairly in proportion to beer. There is a difference in the amount of duty imposed on the alcohol in spirits and in wine, as compared with that imposed

upon the alcohol in beer, which is greatly to the disadvantage of the latter article. I admit that, from its nature, beer ought to be taxed more lightly than ardent spirits; but we have certainly pushed this principle as far as it can go. The alcohol in pure spirit pays 10s. to 10s. 6d. per gallon, the alcohol in wine pays from about 5s. or 6s. to 7s., and the alcohol in beer pays, as I reckon, only about 1s. 10d. per gallon. That is a very large difference; and it appears yet larger when we consider the tax in relation to the value of the articles. The tax upon beer may be said to be from 18 to 23 per cent. *ad valorem*; upon what may be called medium sorts of wine—that is, upon the only sorts of wine that can ever be reckoned to compete with beer—it is, from 25 to 80 per cent.; while the tax upon spirits is five times that amount; for it is hardly less, if it be less at all, than 400 per cent. So much for the deficiency upon malt; which is, perhaps, even greater than would naturally and at once be inferred from the figures I have stated.

But the Committee will be anxious to hear what is to be said with regard to the Spirit Duties. We anticipated an increase in the Revenue from the duty, imposed in July last on British spirits, of 650,000l.; whereas, there has been altogether a diminution in the actual yield of the spirit duty, as compared with the estimate which had been made in February, of no less than 910,000l.; or 250,000l. more than the whole increase at which we aimed. Certainly, I cannot say otherwise than that, at first sight, this is an astounding diminution; but it is a result which deserves the careful attention of the Committee; moreover, it is one which will reward that attention.

The question of the augmentation of the duties on spirits is one, which does not concern exclusively any

particular Ministry or Government. The proposal which was made last year was made in conformity with a very general feeling. We were all aware that the result as regarded revenue—at least the momentary and immediate result—was, in some degree, uncertain. We were all desirous that the duty on this particular commodity should be carried to the highest practicable point; that is to say, to the highest point at which it could stand without being defeated by illicit distillation. I will now endeavour to lay before the Committee what I believe to be the exact state of the facts; only observing at present, that the duty on spirits fell short by more than 500,000*l.* of the sum which it had yielded in the previous year; while, on the contrary, it was estimated, before and apart from any change of duty, that it would yield about 400,000*l.* more than the duty had yielded in the year before. It will be recollected that I endeavoured, in making the proposal, to give a fair and full statement, on the one hand of the risks or uncertainties it involved; on the other of what we thought, and still think, the commanding reasons in its favour.

I now entreat the Committee to accompany me, while I exhibit the subject to them in some new lights; and, first, let us take, instead of the entire year, the year broken into two parts; they will, I think, be not a little surprised at the results. I will take two periods then, first, from the 1st of April to the 14th of July, when the additional spirit duty was entirely unknown, and apparently was not in the slightest degree apprehended, either by distillers or consumers; and the second period from the 15th of July until the 31st of March, when the additional duty was in actual operation. From the figures I shall lay before the Committee, it will be seen that a very considerable decline from the previous yield of the spirit duty had occurred before the duty was

raised; and that since the duty was increased, on the contrary, the decline has been checked to some degree in some cases, while in others an absolute and substantial increase has taken place. Especially this is conspicuous if we take the case of England alone; because in Scotland and Ireland social causes appear to be at work which for some time past have caused a rather steady decrease in the consumption of spirits.

I will now give the case of England in the first instance; then that of the United Kingdom as a whole; and I will likewise go to the cases of the other two countries in detail if the Committee desire me to do so. In England, the spirit duty received between the 1st of April and the 14th of July of 1859-60 was 1,203,000*l.*; the amount received in the same period of 1860-61 was 1,045,000*l.*; showing a decrease of 158,000*l.* in that portion of the year in England, before the additional duty could influence the Revenue. This decrease, it will be observed, was at the rate of more than half a million a year for England alone. Then, taking the second and larger part of the year from July 16 to March 31, when the additional duty was in operation, the amount received in 1859-60 was 2,991,000*l.*, and in 1860-61 it was 3,245,000*l.*; that is to say, it shows an increase under the new duty of 254,000*l.*; an increase very nearly corresponding with the estimate that had been formed. Of Scotland I may say generally, that there was a large decrease before July, and a small increase afterwards. In Ireland there was a large decrease before the spirit duty was altered, and a considerable, though a somewhat slackened, decrease afterwards. In the United Kingdom there was a decrease of 654,000*l.* before the duty was changed, and an increase of 90,000*l.* after the 14th of July. These comparisons are of themselves valuable as far as they go; but I must point out to the Committee

that the operations of the spirit trade itself, in the form of extra deliveries at one time and another, in reference to anticipated changes, are such as materially to bewilder and delude those who endeavour to draw inferences from them without the advantage of a long experience. On the whole, however, in 1859-60 there had been extraordinarily large deliveries of spirits, from an anticipation of an increased duty. These, it now appears, much diminished the productiveness of the duty in 1860-61. Further, it appears that the main cause of the deficiency is to be found not so much in a lessened consumption, as in the fact that the stock of duty-paid spirits in the country has been materially reduced. It is matter of interest to know in what degree; but this can only be matter of estimate. According to the best information that can be obtained by the Board of Inland Revenue, it appears that in 1860 the duty-paid stocks amounted to 3,000,000 gallons of spirits, and that in 1861 they were only 2,000,000 gallons: this decrease of 1,000,000 gallons of itself represents a duty of no less than 500,000*l*. Some effect of this kind has followed every augmentation of duty in the whole series of augmentations since 1853. From 1853 to 1858 we have had successive augmentations; hardly one of them has produced the result anticipated for the next following year. The first tendency of them all was to contract, in some degree, the consumption, but especially the stock. I doubt whether the consumption was so much restricted as might have been expected, relatively to the increase of price; but the immediate result and tendency was to diminish the duty-paid stock; and where the duty formed so large a proportion of the price, it told severely on the revenue returns immediately after the augmentation of the duty. In 1853-54 I had the honour of proposing to the House the first of these augmentations, and I estimated the result at 476,000*l*. I

did obtain, I believe, 590,000*l.*; but that was the first augmentation, and it was a small one; it constituted an exception to the rule. In 1854-55, I proposed a second augmentation, from which the estimated return was 450,000*l.*; the amount obtained was 373,000*l.* In 1855-56 my right hon. friend, now the Secretary for the Home Department (Sir George Lewis), proposed a third augmentation. That was expected to yield 1,000,000*l.*; the actual return was 707,000*l.* Lastly, the right hon. gentleman opposite (Mr. Disraeli) proposed an augmentation of the Irish spirit duty, on which the return expected was 500,000*l.*; but in the first year it only yielded 85,000*l.* In the second year, however, this 85,000*l.* rose to 304,000*l.* The experience, therefore, of all changes of this kind would seem to show, that some time is required to bring them into regular operation. But I am bound to say, after examining the subject with great care, and all the inquiry into details I could possibly make, that I am persuaded the experiment is likely, even in a fiscal point of view, to be successful; while, so far as social considerations are concerned, we are convinced that it is and will be very beneficial. It may, indeed, diminish the consumption of spirits; nay, we sincerely hope it may have this effect; but it has not yet given rise to the only real evil we might have had to apprehend, namely, an increase in illicit distillation. I have here the Returns, though not beyond the end of 1860, of the number of convictions and of commitments to prison, in each of the three Kingdoms, of persons charged with keeping illicit distilleries in the years 1859 and 1860, or, at least (since the Returns for the year are not yet completed) in the first nine months of the financial year of 1860, compared with the corresponding nine months of the year preceding. I will not trouble the Committee with the whole of the details; I need only

convey to the Committee the gratifying fact, that in each of the three countries there has been a considerable diminution in the number of convictions and punishments for illicit distillation ; and this especially in Ireland, which is the country we naturally look to with the most apprehension, and which may be called the peccant part of the United Kingdom in these matters. In England, the number of persons committed to prison in the first period of 1859 was 54 ; in the second period it fell to 39 ; in Scotland the number of commitments was 6 in the first period, and 5 in the second ; in Ireland the detections in the first period were 1829, and the convictions 101 ; in the second period the detections fell to 918, and the convictions fell to 84. The machinery of detection employed in Ireland is so efficient, that the reports furnished by the constabulary to the Government, may be received with the most complete reliance.

As respects the diminution in the consumption of spirits, no doubt the competition of wine may have done something ; but that cause is altogether so slight and insignificant in its extent, that the consumption of wine in this country need not be mentioned or thought of for a long time to come, if it is ever to be thought of, in competition with those great articles of consumption so much better known to the people of this country, namely, ardent spirits and malt liquors. The consumption of alcohol in wine is utterly insignificant in comparison and competition with alcohol in spirits. Neither has the consumption of malt liquors produced any great effect ; though, as far as it has produced a change—while I will not say it is a change to be promoted by any grossly unequal or any unfair adjustment of duties, yet still it is a change, which in all its social aspects we must view with satisfaction. The competition of spirits brought from abroad, again, has not been of a very important

magnitude. There has, however, been an increase in the consumption of brandy and Geneva, owing to the removal of the differential duty, to the extent of 345,000 gallons, balanced partially by a decrease in rum of 170,000 gallons. That, Sir, is the statement which I have to lay before the Committee in regard to the diminution of the revenue from spirits.

And now, Sir, I shall proceed to say a word on the general policy of the legislation of last year; because there are those who think, and very naturally think, that the House of Commons in the course of last year departed from its ordinary practice; and may be said in some degree to have shrunk from its duty in consenting to resort to the use of certain temporary resources, instead of meeting the full expenditure of the country from an adequate amount of taxation, and from that source exclusively. I think, Sir, I can truly say that there is no one who is more anxious than myself to invite and urge this House upon every occasion to the utmost exertion for the purpose of maintaining the credit of the country. I quite admit, that the only firm and permanent foundation upon which we can stand is that which has for its basis an even, or rather a favourable, balance between income and expenditure; and which steadily eschews as a great evil the creation, under all ordinary circumstances, of public debt. But, at the same time, I think it quite impossible, in dealing with the arrangements of a particular year, to omit all regard to the peculiar burdens which it may bring; and, in the case now before us, to the rapid, enormous, and almost incredible growth of the expenditure of the country. I will state in round numbers, yet with substantial precision, how this matter stands. The right hon. gentleman the Member for Buckinghamshire (Mr. Disraeli) had, three years ago, as Chancellor of the Exchequer, to propose the Votes

necessary for the service of the country ; and the total amount of the Votes which he proposed was somewhat under 64,000,000*l.* Two years only had elapsed when, in 1860, it was my duty to propose to this House Votes which were somewhat under 74,000,000*l.* ; showing an increase of about 10,000,000*l.* in the national expenditure within that short period. Now, has the House of Commons really flinched from its duty in regard to the mode of providing the money ? I admit that we drew to some extent upon temporary resources ; but I confidently urge that we were justified in doing it. For, first, let us inquire how much of this great augmentation in our expenditure was raised by taxation. With unrelenting hand we imposed 7,000,000*l.* of new taxes in the course of those two years to meet the annual expenditure of the country ; and some part, at any rate, of this new taxation was in the shape of permanent additions to our fiscal resources. We raised by taxes in the year about 70,000,000*l.* The increase of taxes in two years, as I have said, was 7,000,000*l.* We had in China a war expenditure of near 6,000,000*l.* to provide for ; and under these circumstances the result has been that, combining together what we have taken from the balances, and what we have derived from the malt credit and the Spanish payment, we have drawn from temporary resources other than taxes a total sum of no more than 2,450,000*l.* towards meeting that war expenditure. We have had to meet ten millions of augmented charge in two years ; we have provided more than three-fourths of it by taxes, less than one-fourth otherwise than by taxes. I must confess that I do not think there is in that statement anything of which the House of Commons can accuse itself, unless, indeed, there be an imputation upon quite different grounds ; and unless it be that the consciences of some among us may whisper to us a reproach

for not having given sufficient attention to the rapidly-growing amount of the national expenditure, and to the tendencies, which are in most quarters too perceptible, not merely to require that provision be made for so many new ends and purposes, but likewise to relax our accustomed and most necessary vigilance in controuling the use of public money for those ends, and in securing its economical outlay.

And, now, what have been the operations of the past year with regard to the balances in the Exchequer, and to the public debt? That is very easily stated. The balances in the Exchequer on the 31st of March, 1860, were 7,972,000*l.*; on the 31st of March, 1861, they were 6,672,000*l.*; but 150,000*l.* of this last-named amount was money raised for the fortification annuities, deducting which, we had on the 31st of last March a balance of 6,522,000*l.*—being an actual diminution in the balances of 1,450,000*l.*; while the deficiency contemplated in the arrangements of July, 1860, was, as I have said, about 1,400,000*l.* The Committee will see, under these circumstances, that there is no present appearance of a diminution likely to entail any inconvenience in meeting the demands of the public service. And I may add, as a conclusive proof to the same effect, that we have met the changes of the current quarter without any payment for interest on Deficiency Bills.

With regard to the National Debt, again, the account is a simple one. We had last year to pay off 1,000,000*l.* of Exchequer Bonds. That demand rendered it necessary to ask Parliament for authority to raise another 1,000,000*l.* of Exchequer Bonds in lieu of them. But, besides the provision thus made, and in consequence of the formidable prospects of the harvest during the month of August, which threatened a very serious loss of revenue, I was obliged, in view of that contingency, to ask rather

suddenly, late in the Session, for authority in case of need to borrow another 1,000,000*l.* of Exchequer Bonds to meet the possible exigencies of the country. The state of the case, then, is this. The old 1,000,000*l.* has been paid off and replaced by the new 1,000,000*l.* Out of the second 1,000,000*l.*, which I thus took authority to borrow, in view of a probable deficiency, 600,000*l.* has been borrowed. Against that sum 139,000*l.* of Exchequer bills have been paid off, and not re-issued. So that, in fact, in consequence of the circumstances of last year and its war expenditure, the direct addition to the debt of the country, apart from the diminution of balances, is 461,000*l.*, or something under half a million.

Before absolutely closing this lengthened retrospect, I must say it appears to me that there is still a lesson to be derived from it over and above anything that I have thus far endeavoured to state. I will ask the House, if they will allow me, to compare very briefly the year which we have just brought to a close with the latest preceding year which seems chiefly to resemble it in its main features; I mean 1853. In both of these years there were large remissions of taxation. In both years the harvest was a very bad one. No doubt, the harvest of 1860 was considerably worse than that of 1853; it was also preceded by an unfavourable spring, which raised the price of animal food to an unprecedented height; and it was followed by a most severe and ungenial winter, which for several weeks deprived, if not one-half, yet a considerable proportion of the labouring population of their employment. Notwithstanding all this, I cannot help feeling it my duty to ask the Committee to note, as I have said, the resemblances, and at the same time to note in one important respect the marked contrast, between 1853 and 1860; I mean the contrast as to the immediate and palpable effect on

the Revenue of the remissions of duty made in these two years respectively. I do not know whether there is any one who will reply to me that, if there was a difference, it was because in 1853 the remissions were wise, while in 1860 they were unwise remissions. I have an equal interest in the effect of both, as it was my fate to have proposed both. Substantially, the two sets of remissions are akin in their character; and, if there be a preference for either I think, the remissions of last year are likely to be rather preferred, upon a careful examination, to those of 1853. But let us mark, in a very few words, the singular contrast in the fixed results attained. In 1853-4 we remitted 1,500,000*l.* of Customs' duties; and every shilling of that 1,500,000*l.* was made up in Customs' revenue within the year, with 23,000*l.* to spare. That has not been the case during the present year. As I have just said, there was upon the Customs' revenue of 1853-4 a gain or recovery within the year of 1,523,000*l.* Last year we took off sums amounting in all to 2,376,000*l.*, after allowing for 400,000*l.* of additional spirit duty which we laid on. Instead of recovering, however, the sum of 2,376,000*l.*, we only recovered 580,000*l.* Again, as to the Excise. In 1853-4, the Estimate of Excise revenue was 14,640,000*l.* After deducting the amount of taxes imposed, we gave a balance of relief which I take at 350,000*l.*; and the Excise revenue of 1853 showed an increase of 623,000*l.*; thus it may be said that at the end of the year the revenue gained in that branch to the extent of 973,000*l.* In 1860 this was far from being the case. The Excise revenue was originally estimated at 19,170,000*l.* We imposed upon it, in the shape of malt credit, additional spirit duties, and hop credit, an increase of 1,945,000*l.* beyond the 19,170,000*l.* But, instead of such a recovery as we had in 1853, the revenue only increased

from 19,170,000*l.* to 19,435,000*l.*; or, in other words, we obtained out of this 1,945,000*l.* only a sum of 265,000*l.* This is a very serious and important fact, which I am sure must attract the attention of the Committee. I do not undertake to give any complete, or full, or demonstrative explanation of this fact. The attempt would be presumptuous, because premature. But I cannot help calling the attention of the Committee to one circumstance, which I have not yet specifically mentioned, of difference between 1853 and 1860; I mean the difference in the expenditure of the country at the two periods. In 1853-4 the Imperial expenditure of the country—I mean that which excludes all the purely local rates and taxes—was under 56,000,000*l.*; the local expenditure was under 16,000,000*l.*; and the total expenditure was under 72,000,000*l.* But in 1860-61 the Imperial expenditure alone amounted to what the local and Imperial expenditure together had been in 1853-4. It amounted in round numbers to 73,000,000*l.*, including the small sum which came due in respect of the fortifications. The local expenditure, as nearly as I can make it, was about 18,000,000*l.* The total expenditure, therefore, had grown from under 72,000,000*l.* to 91,000,000*l.*, or nearly 20,000,000*l.* in the space of seven years. Now, Sir, I do trust that this will be remembered and maturely considered. Let us think for a moment what is the meaning of these few last words and figures. Nothing but reflection can at any time be required in order to bring this House to a just view of its position; and all I am anxious for is that we should reflect, and should reflect in time. What are the annual savings of this country? May we take them at 50,000,000*l.*? Enormous as that sum is, I believe it may be taken as the amount which the skill, and the capital, and the industry, and the thrift, of England

may be computed to lay by every year. If it be so, and if we take this 50,000,000*l.* for a period of eight years, we get a total accumulated capital of 400,000,000*l.* Now, if we put upon that sum of 400,000,000*l.*—taking all kinds of investments together—an interest of 5 per cent., the result is that it gives us just 20,000,000*l.* as the aggregate result, in annual income, of the whole savings of the nation for eight years; so that the total savings of the nation for these eight years would appear to have been completely absorbed and swallowed up in the maw of this vast expenditure. Nor can I help suspecting that there may be some degree of relation between the inordinate growth of expenditure and that diminished elasticity of the revenue, which we cannot fail to observe in comparing our fiscal experience during the last year with the fiscal history and results of the year 1853-4.

Sir, I have still to do justice to one important subject. I have referred to the fact that last year, on the proposal of the Government, Parliament was pleased to diminish the immediately available resources of the country; and likewise to the fact that the revenue of the year is, upon the whole, unsatisfactory. Does there arise, from the association of these two facts, any presumption that Parliament, in its decision last year, mistook the path of duty and erred in judgment? I think I can show that, if the employment of the people and other circumstances have not been such as to yield an adequate revenue in the year, such as it has actually proved to be, yet the condition of affairs would have been not more, but very far less satisfactory, had it not been for the wise and provident legislation of Parliament. At any rate, I am ready to raise that issue, and to state the facts.

The Committee is aware, that in November last the

Treaty of Commerce with France reached its final form, by means of a supplementary Convention. It is not necessary for me to speak in this place of the signal services which, in the view of the Government, Mr. Cobden has rendered to the country in connection with that Treaty. But it is a pleasure to refer to the able and intelligent assistance which he received from the coadjutors, who were associated with him in his work by the heads of certain of our administrative departments. And it is no more than an act of absolute justice that, having watched with deep anxiety the proceedings in regard to this Treaty from the commencement to the close, I should record the sense I entertain, in common, as I know, with all my colleagues, of the conduct of the Government of France, alike in the inception, the progress, and the completion of the entire work. It is not necessary, and, indeed, it would be idle, to refer to particulars ; but, looking at the whole course of the proceedings from first to last, no one can conceive a more loyal, thorough, intelligent, unflinching determination, than has been exhibited by the Ministers of France, under the animating spirit and guidance of the Emperor, to give full effect alike to the terms and to the principles and spirit of the Treaty, not for the sake of British interests, nor with any mere wish to conciliate England, but manifestly for the sake of the interests of France.

I will now proceed to exhibit to the Committee, in a form which must be slight and general, yet which need not, I trust, be delusive, the effects, thus far, of the measures of 1860 on the trade of the country. The export trade of the last year was the largest we have seen. The exports from this country, so far as we are enabled by official means to ascertain them, came to 136,000,000*l.* of declared value, against 130,500,000*l.*

in the preceding year. The increase, indeed, was really greater than it seems; because the amended system of statistics, introduced in the middle of the year, required greater time for the correction of the documents which give account of the goods exported. It thus had the practical effect of leaving a gap which told very seriously on the account for the month of June; and thereby it unduly reduced, perhaps by several millions, the apparent exports of the year. Now it may be justly said, especially as the Treaty with France has not yet, on the French side, taken effect, that we have no precise means of knowing in what degree the increase of exports may possibly have been connected with the measures adopted by Parliament. I come, therefore, to matters which we have better means of judging. I mean the importations of foreign goods. If a great increase of importations has taken place, I do not suppose there is now any gentleman here, as there might have been in previous times, who will deplore that fact as a great calamity, and will insist that the augmentation must have been paid for in gold, and must, therefore, constitute an impoverishment, not an enrichment, of the country. I shall presume that we all have faith enough in freedom of trade and in its principles to believe that an increase in our exports must of necessity either have at once accompanied, or must in due time follow upon an increase in our importations.

I now pass to particulars. From previous experience, the importation of silks is generally associated in our minds with serious distress in one or two particular districts of this country. But it singularly happened that, as far as regards the trade of the season of 1860, the article of ribands, in which the manufacturers and weavers of Coventry are largely interested, is one of the relatively few that exhibited an absolute decrease of

importation from abroad. I may, likewise, say in reference to the Treaty with France, that it is not the riband manufacturers of France, as I am informed, from whom the people of Coventry have to apprehend a serious pressure, but it is rather from the thrifty and industrious weavers of Basle, who are on the Continent the producers of the cheapest ribands, and the most formidable rivals to our manufacturers at Coventry. Of course, we have no means of officially knowing what is the consumption of English ribands. But I hold in my hand a statement which I have obtained from private sources, from persons placed at the centre of the entire trade, who have the best means of information, and the effect of it is this: that in 1860 there was a decrease in the importation of French ribands of about 12½ per cent., and a decrease in the use of English ribands of 26 2-3ds per cent. [Mr. NEWDEGATE: Hear, hear!] My honourable friend's cheer refers, no doubt, to the fact that there was a still greater decrease in English than in French ribands. The change of last year, while beneficial in its general character, aggravated, I have no doubt, but certainly did not cause, the distress in Coventry. I much regret the coincidence in time of the two circumstances. I am sorry that by a right act we should in any degree have pressed, even for a moment, and even for a great public benefit, on a particular class. But the change in the law, so requisite on its own grounds, was at most but an accessory and secondary cause of pressure. The distress at Coventry was partly owing to the change of fashion; and still more to the bad weather, which almost destroyed the spring and summer demand; nor must we forget that it has also been to strikes and combinations among the workmen, and in general to those defective arrangements which are especially incident to close and pro-

tected trades, that these distresses and sufferings are really traceable. I am deeply concerned, however, that a change, which was absolutely demanded in justice to the people and to every class of producers, should for a moment, and in a particular instance, have been accompanied by any distress.

I will now proceed to mention very rapidly the other particular articles to which I have to refer. We heard last year in this House, from the hon. Member for Launceston, a doleful wail concerning the destruction that was declared to be impending over I know not how many millions of the property of our fellow-subjects in North America. Notwithstanding the terrors of that prophecy, we persevered in our legislation; and I must record it to the honour of the colonists, that, as far as I am aware, not one word has escaped from them in complaint against the just and expedient measures adopted by Parliament for the benefit of the country. I am happy further to say that they are not ruined; and that on the contrary their property is, to all appearance, in a rather satisfactory condition. There has been an immense increase in the importations of foreign timber; but colonial timber has not disappeared from the British market; nay, it has even been somewhat more in demand than it was before. In 1859-60 colonial timber and deals were imported to the extent, taken together, of 1,262,000 loads. In 1860-61, after the perpetration of the act of destruction to the trade—for such we were told it could not fail to be—the import of colonial timber and deals rose to 1,276,000 loads.

Now, Sir, one of the objections most commonly taken last year to the measures then adopted by the House was, that the duties reduced or abandoned were duties of moderate amount, useful for fiscal purposes, and without any sensible tendency to restrain trade and

consumption. I will test the value of this objection by reference to certain articles; and we shall, moreover, see that, even in the cases where the duties given up were moderate in amount, it was wise and advantageous to abandon them. I will give the import of four leading articles of food set free from duty last year—butter, cheese, eggs, and rice. In 1859-60, butter was imported into this country to the extent of 2,362,000*l.* in value. That was an enormous amount; but in 1860-61, when the duty had been removed, the import rose to 4,122,000*l.* In 1859-60, cheese was imported to the amount of 1,097,000*l.*; but in 1860-61, when cheese was duty-free, the import rose to the amount of 1,592,000*l.* The import of eggs, in like manner, rose from 345,000*l.* in 1859-60 to 497,000*l.* in 1860-61; and the import of rice in the same years from 890,000*l.* to 1,142,000*l.* In the importation of these four articles there was a total increase of 2,700,000*l.*; namely, from 4,694,000*l.* in 1859-60, to 7,393,000*l.* in 1860-61.

I will next venture to state to the Committee the general results, without any selection among articles, of the legislation of 1860 upon the import trade of the country. I must, however, first take out and treat by itself the article of corn. The importations under this head are so large, that they can hardly fail to awaken a sentiment of wonder in the mind of everyone who hears me. I exhibit this particular commodity by itself, because it is an exceptional article; and because an excess in the importation of it is due to a temporary cause, and must evidently tend, if it has any effect, to restrain the importation of all other articles, and to displace them for the moment. In 1859-60 the importations of grain of all kinds amounted in value to 17,384,000*l.*; but in 1860-61 they rose to no less a sum than 38,159,000*l.* We must, of course, deeply regret

the diminution of the resources of producers, and the increased tax on consumers, within our own shores, which those figures imply ; but, on the other hand, it must inspire every man with a deep and cordial sentiment of thankfulness to the Almighty Disposer of events, when we find what marvellous results have been achieved for us, so far beyond the powers of any and every Government, by the free skill and enterprise of trade ; and when we know that, in the day of our scarcity, no barrier, wrought by the hands of man, was any longer interposed between our wants and the abundant supply that the broad earth could from any of its regions furnish ; and that the ships of England floated over every sea, almost bursting with the cargoes which made up the enormous amount I have described. I will simply add, the figures I have quoted represent a quantity of, perhaps, not less than 20,000,000 of quarters ; and that the importation in the financial year just ended was more than double that of the previous year, the per centage of increase being $119\frac{1}{2}$ per cent.

Passing on from the case of corn, I take next a very small class of articles on which duties were for special and exceptional reasons imposed in 1860. In the adjustments connected with what may be called the simplification of the Customs' Tariff last year, certain articles, particularly some limited branches of the wood trade, were brought under a duty ; and the result is rather singular. I believe this small measure was a sound one, and was for the interests of commerce ; but the result shows that the imposition of a duty had a highly restrictive effect upon these particular commodities. The total value of the importations of these articles (among which chicory and certain woods were the principal), in 1859-60, was 2,906,000*l.* ; but in 1860-61 it was no

more than 2,405,000*l.*, being a decrease of 501,000*l.*, or 17½ per cent.

Having thus set aside the case of corn as one standing on its own separate ground, and having explained the state of the minor cases in which duty was augmented, I will now proceed to deal with the rest of our imports as a whole. And I crave the particular attention of the Committee to the figures which I am now about to give. Without any selection of articles, I will give in three classes the whole values of the articles imported, which we have now before us, stated with sufficient precision for my purpose. First of all, with the exceptions I have named, I will refer to the whole of the articles forming the subjects of British trade in the way of imports which were left untouched by the legislation of last year; I will then give you those on which Parliament last year reduced the duties; and, lastly, I will give you the articles on which the duties were wholly remitted. And I may mention that as the financial year has but just closed, the figures I shall quote may not be minutely accurate; but they are correct as to all substantial results. The imports of those articles on which the duties were left untouched last year, amounted in 1859-60 to 138,155,000*l.* In 1860-61 the value was nearly the same; it was 137,406,000*l.* Thus it appears there was a trifling decrease; which, because it is so small, we may overlook. We have, therefore, before us, in point of fact, a stationary condition—always excepting corn—as the general condition of our trade during the year 1860-1.

I come now to the articles on which the duty was not removed, but reduced last year. In 1859-60, before the reduction, the value of the imports of those articles was 11,346,000*l.*, but in 1860-61, since the reduction, the value

was 13,323,000*l.*, showing an increase of 1,976,000*l.*, or $17\frac{1}{2}$ per cent. upon this class of commodities, while the rest of the trade of the country was stationary.

Next and last come the articles, on which the duties were repealed in 1860. The value of the importations of those articles in 1859-60 was 15,735,000*l.*, while in 1860-61 it was 22,062,000*l.*; being an increase of 6,327,000*l.*, or no less than $40\frac{1}{2}$ per cent. Now, Sir, as I understand it, the principle on which we have proceeded throughout all our operations in this field of legislation has been this; that the true basis of a large and solid revenue for this country lies in the extension of its trade. The experience is as yet narrow, and the time is too short, to ascertain what will be the final result of the changes of last year; the Treaty with France is still in almost all points a one sided instrument; the legislation of France is not in full operation, except as to some two or three heads, which are not to be considered as by any means the most weighty or important in their probable effects. We have as yet actually reaped little of the benefit, which is to arise from the relaxation of the tariff of France. But in this first year, the very year when from the failure of our crops we so specially needed increased means of employment for the people, we are able to show that, as the result of the reductions made on our side by that Treaty and by the accompanying measures, an addition has already been made to the trade of the country amounting to nearly 9,000,000*l.* sterling. For my own part, I believe that the merits of this great instrument, even considered merely with reference to its commercial consequences, may well stand and be judged on the results of such a statement.

Sir, I will now pass from the retrospective part of my duty to that which concerns the future; though I

must not do it without thanking the Committee for the unbounded indulgence which it has shown me, nor without assuring you that I shall not have to make such extravagant demands on your time and patience in the portion of my task which still remains.

I come, then, to the financial year which has already begun, the year 1861-62; and I have now first to present to the Committee the Estimate of the expenditure of the country for this year. Much of it is already before them in detailed estimates, and the remainder will very shortly be in their hands. The interest on the Funded and Unfunded Debt, in 1861-62, will probably amount to 26,180,000*l*. I may say on this head of charge that if we compare it with the corresponding head for the past year, we shall find there are various modifications of the minor heads. The interest of the Unfunded Debt has been increased, and the interest of the Funded Debt is, on the other hand, diminished in consequence of the lapse of certain annuities; but it is not worth while taking up the time of the House by going into the details, as the amounts are not of great significance. The Consolidated Fund charges will probably amount to 1,930,000*l*., the Estimates for Army and Militia to 15,256,000*l*., and those for the Navy to 12,029,000*l*. I may say here that it will be our duty, in the course of the present Session, to ask the House for a further Vote of Credit on account of the war in China, which will probably amount to 1,000,000*l*. The total charge for military operations under these heads, ordinary and extraordinary, will be 28,285,000*l*.; without including the Packet Service, which stands at something less than a million, and which formerly was included in the estimates for the Navy, but which is now removed to a separate Vote.

The charge for Miscellaneous Civil Services will be

7,737,000*l.* Upon this particular head of expenditure I will just venture to say that there is an apparent increase in the gross sum to be voted this year for the Miscellaneous Civil Services, amounting to 203,000*l.*; but I have the satisfaction of assuring the Committee, on the other hand, that there is no general increase in the items of these Estimates. I can very readily account for more than the 203,000*l.* which represents this apparent increase. The main part is a real charge, although it is a charge which is occasional, and a charge in respect to which we obtain value for what we pay. The census which is now going on will cost the country, I believe, no less than 127,000*l.* A sum of 37,000*l.* will be charged in the Estimates for the salaries of the district registrars under the Court of Probate; but more than a corresponding sum—namely, about 50,000*l.*, as I am assured, will be received in the shape of Stamp duties, which are to form part of the Stamp Revenue, and which form of payment will henceforward be substituted for the fees heretofore paid to those officers. Therefore that apparent increase represents a real economy. There is also an extra charge of 40,000*l.* for the Mint, connected with the execution of the new copper coinage; but that charge is counteracted in a satisfactory manner by the set-off of 90,000*l.* in the Miscellaneous Revenue, showing a net profit of 50,000*l.* during the year.

There are, however, several charges in the Estimates of this year, which deserve the particular attention of the Committee. One of them is connected with the drawing of the frontier line in Western North America between the British territory and the United States. For this purpose I am afraid a considerable expense will very probably be incurred; while it will be the endeavour of the Treasury to limit as much as possible

the charge arising out of the measures which have been adopted. I will, however, leave it to my right hon. Friend the Secretary of the Treasury to explain the particulars of these Estimates in detail at the proper time. For the present I am justified in saying that, while both in former years, and this year, we have somewhat retrenched the charges for the Miscellaneous Estimates by the use of balances which were found standing to the credit of certain of the services, the provision we now make will, as we expect, be amply sufficient for the expenditure; and that the figures I have laid before the Committee, though they may present some apparent increase, do not represent any real and general increase. We have little, indeed, to boast of; but at any rate, for the present, whether permanently or not, we have been able somewhat to repress and slacken the movement in that direction. Next, the charge on account of the Revenue Departments is 4,780,000*l*. That sum presents a diminution, as compared with last year. A considerable part of that diminution—not less than 70,000*l*. or 80,000*l*.—represents the reductions of establishments, as far as they have gone, in the Customs' Department, which are among the beneficial results of the legislation of last year. I do not by any means think that the limits of those useful retrenchments have been reached; nor do we as yet obtain the full benefit of such as have been actually made; for in all reductions of this sort there are always superannuations to be provided, and the charges for superannuations will fall upon this estimate. The Packet Service will stand at 995,000*l*. That is an estimate which always inspires me, as it inspires others, with some jealousy. For the present year there is a small diminution in it, which is mainly due to the receipt of certain colonial payments in aid of the packet service between this country and

certain of the colonies. The total of the Estimates for the expenditure of the year is 69,900,000*l.*; or, in round numbers, 70,000,000*l.* This is as nearly the precise sum likely to be required for the national expenditure as we can at present venture to reckon. There are, I should add, some special causes of uncertainty in this matter, which must not be left out of view. The Vote of Credit for the Chinese operations has been calculated on the same principles as heretofore. It is, however, impossible, in regard to a Vote of Credit taken for war charges, to be as precise as when we are dealing with the ordinary grants. From its very nature, it belongs to a class of expenditure that cannot be estimated with precision. Still, I do not doubt that substantially it is likely to correspond with such demands as may be made upon us. The House will be asked also, in the course of the Session, to vote a certain sum, a sum of 200,000*l.*, on account of "army excess" in the year 1859-60. That is a matter into which I need not now enter. I know there is a controversy going on, which another set of combatants have all to themselves, with respect to the causes of this excess; but the excess itself has no bearing on the statement I am now submitting to you, because it is asked in order to give Parliamentary sanction to a charge which has been already incurred and met, and this vote will in no way affect the substantial balance-sheet of the year. A total of 69,900,000*l.*, then, is the sum at which we estimate the probable expenditure of the present financial year.

I come now to the estimate of the Revenue for the year. And, in stating the amount of the Revenue, I will take the liberty of including certain small sums which will be received if the Legislature shall think fit to adopt some minor financial adjustments, which we are about to propose. The whole extent of them is very small, if we

except those Stamps to which I have just referred. They will not be perhaps more, in all, than 50,000*l.* a year ; and it is more convenient to include these items at once in my general estimate of Revenue, than to bring forward subsequent and separate modifications of it in order to include these details with regard to them. In the department of Customs, we propose to double the duty which was laid last year upon the article of chicory ; and, including the small sum of 15,000*l.* on this account, the Customs may be expected to yield 23,585,000*l.* Of course that includes the augmented duty on spirits, which will now be in full operation for the entire year. The revenue of the Excise will probably be not less than 19,463,000*l.* The revenue of Stamps is estimated at 8,460,000*l.* Under this head are included some further small changes, of which I will now take a cursory notice. We propose to reduce the amount, which has long been felt to be high, for hawkers' licences. The payment is now 4*l.*, which we know is a severe charge, relatively to the nature of the trade on which it falls. We propose to reduce that which is a 4*l.* licence, if taken for a year, to 2*l.*, and at the same time to allow licences for half a year to be taken at a charge of 1*l.* That change, it is expected, will be made without any loss of revenue. With regard to the Refreshment Houses Act of last Session, we propose to declare more clearly the law ; and, while so declaring, also to enlarge in one particular the meaning of refreshment-houses, with respect to their liability to duty when they are kept open at night. The effect of the legislation of last year was to confine the imposition of duty to those houses which were kept open at night ; but I think it was the clear intention and desire of Parliament that all classes of such houses should be embraced. I propose to make clear the law ; and likewise to declare that a particular class of shops shall be taken to fall

within it; that tobacco shops, where they are kept open at night for the purpose of smoking in them, shall be included, and shall be made subject to the inspection of the police. That change may produce, as we estimate, about 20,000*l*.

There is another change which we are about to make, which I must say was one of the clearest as to the policy on which it is founded ever submitted to Parliament; and it is also, though a small matter, yet a matter in which considerable interest is felt by many Members. I refer to the state of our law with regard to the sale of spirits. Probably many hon. gentlemen have not inquired into the method by which, when there is a necessity for the use of a small quantity of spirits in their own household, that demand is usually or very frequently supplied. I am afraid that if the proceedings of hon. Members, as heads of families, were investigated, it would turn out that probably nine-tenths of them have been, at times or habitually, unconscious breakers of the law. But the law on this particular subject is so irrational, that I cannot refuse to submit an alteration of it to the judgment of Parliament. The law is this: that unless a householder wants, for the purposes of his house or family, as large a quantity of spirits as two gallons, which it is probable would not be consumed in most of our houses, or in many of them, in a twelvemonth—unless he wants two gallons of spirits, which may be left in the keeping of servants, with the temptation incident to such custody, he has no choice but to send a servant for it to a public-house. I really must say that that law is a discredit to society. I think that it imposes on the whole middle class a condition which well deserves that epithet; so long as we require that all who do not keep men-servants, but have only women-servants, should, when they have occasion to send for a small quantity of

spirits for a sick child or a sick wife, have no choice but to send a woman-servant for it to a public-house. What we now propose is, that, on payment of 3*l.* 3*s.* a year, the wholesale spirit dealer, who as such already pays 10*l.* 10*s.* a year, may acquire the right of selling spirits by retail. By that change we expect to obtain a small revenue of 5000*l.* a year ; but, before quitting the subject, I ought to give the finishing touch to the picture of the present state of the law by stating that it has been the constant practice of the Board of Inland Revenue, when breaches of the existing law have been made known to them, not to press for penalties, the law being one which public opinion would make it clearly impossible to carry into effect.

Next, we propose a change in the stamps at present applicable to agreements for furnished houses let for less than a year. At present they pay the same *ad valorem* duty as a conveyance. The principle in other cases is to tax transactions of a fugitive character at a much lower rate ; and we propose, instead of 10*s.* for every 100*l.* of value, to require a stamp duty of 2*s.* 6*d.* on each part of an agreement—that is to say, 5*s.* for the whole, whatever may be the amount of the letting. That will probably yield another small revenue of 5000*l.* a year. We shall propose provisions to make sure that the duty is properly enforced and paid. It is at present generally evaded.

We further propose that house-agents in all cases shall take out a 2*l.* licence, so as to keep them under the view of the Revenue Department, and thus help to secure the due use of these stamps.

There will also be an alteration of the law with respect to foreign bills of exchange. Instead of having jumps, as I may term them, of considerable amount in the scale, the stamps will increase by smaller steps, at the rate

of 1s. for every 100l.; and by this means we shall render the operation of the law more convenient to those who employ such instruments.

The minor changes which I have just named, together with the transfer of 50,000l., the probable amount of the fees of the district registrars in the Court of Probate, will raise the revenue of the Excise to 19,463,000l.; the revenue from Stamps, as I have already said, is computed at 8,460,000l.; the revenue from Taxes is estimated to be 3,150,000l.; and the revenue from the Income Tax at 10d. I calculate at 11,200,000l. Of course, the Committee will have perceived that in making this statement I am assuming in general the continuance *in statu quo* of taxes which exist; and that I have chosen, as being probably, for the present occasion, the most convenient and intelligible mode of proceeding. The revenue from the Crown lands is expected to be 295,000l.; and the Miscellaneous Receipt 1,400,000l. Upon that item I will say that, although the Miscellaneous Receipt has lost the benefit this year of 250,000l. received in payment from Spain, yet on the other hand it profits very considerably by a new arrangement with the East India Government with reference to the payment due from that Government on account of non-effective services. It has hitherto been fixed by Act; and the sum now stands at 60,000l. It will be henceforward taken at so much per head on the numbers serving from year to year in India, and will be between 200,000l. and 250,000l. That brings the head of Miscellaneous up to 1,400,000l. A certain profit will also, as I have observed, accrue from the profits of the copper coinage; this I take at 50,000l. Lastly, we estimate the indemnity from China, to be received by the 31st of March, 1862, at 750,000l. That is more than a year's receipt of that indemnity. I hear an hon. Member say, "the occupation will cost more." I have an inclina-

tion to sympathise with that hon. Member. For my own part, I look upon receipts arising from this source much as I regard an extraordinary receipt from corn duty : it is apt to be indicative of greater charge or loss in another form. But this 750,000*l.* must be taken as representing about a year and a half's indemnity. Two sums have been already paid. Nothing has been brought to account in this country ; but the sums are available at once, as they may be received, to meet our current payments in China. I must remind the Committee that we cannot reckon on a payment of this kind minutely and precisely, as if we were dealing with payments at home ; yet on the whole, taking into view the two payments already made, and five quarterly payments which will come due up to April, 1862, I think we may, without risk of error such as to disturb my general calculations, anticipate coming into possession of a sum of 750,000*l.* in China, which will come to credit, or be available for expenditure, up to the 31st March, 1862. More minute details on this subject may be reserved for a future stage. [Sir STAFFORD NORTHCOTE : How much from the Post Office ?] I beg pardon—the Post Office will yield 3,500,000*l.* The total of these items is 71,823,000*l.* ; and if not the very largest, it is one of the largest, Estimates of revenue, which has ever been presented to this country in a time of peace.

It remains to compare this sum of 71,823,000*l.* with the estimate of expenditure. The estimate of expenditure is 69,900,000*l.* ; so that, on the face of the Estimates, there is a surplus of estimated revenue over estimated expenditure to the extent of 1,923,000*l.* And, Sir, I must say I cannot pronounce that sum, without seeming to myself to hear at this moment what I may describe as a loud crash. I hear somewhere in the distance a great downfall of prophecies, predictions, sympathies, remon-

strances, and regrets, of which the crop last year, though it was a bad season for other products, was most abundant.

I have now arrived at the time for stating the proposals of the Government with regard to the balance. And this is the time when I may repeat the observation which I have recently made as a matter of form, that it is not a balance which we possess by the existing law, but one which, if we are to have it, we must ask you to give us. The Income Tax Act has expired. The Act levying the tea duties, and the sugar duties, expires on the 30th of June. These three taxes represent a sum of 22,000,000*l*. We shall also have to ask you to renew Bills of which I shall say more by and by, but the authority for renewing which we shall have to obtain from Parliament. Her Majesty's Government have come to the conclusion that they cannot reasonably expect to be allowed to keep in hand, or rather to take into their hand for the purpose of keeping it, a balance so large as that which I have named. Independently of the circumstance that it does not grow out of existing law, but depends on grants to be made afresh in Committee of Ways and Means, it would, in point of fact, be an amount which no Chancellor of the Exchequer for nearly the last thirty years—that is to say, since the present arrangement of the Sinking Fund—has ever, under any ordinary circumstances, presumed to ask, or has ever had the smallest chance or hope of being permitted to retain. I therefore presume, Sir, that I shall carry with me the approval of the Committee when I say, that we think this is an occasion on which we may dispose of a portion of the balance, shown by my Estimate, between revenue and charge, by a remission of taxation.

Now that I have advanced to this point, it is obvious that four subjects, all of them important, will occur to

the mind of every man who considers the question of remission. Each pair of these subjects is connected together. Two of them are the duties upon tea and those on sugar; and these subjects are connected together by the fact that the duties were imposed together, and have been handled together, first, for the purpose of war; and again, subsequently, for the purpose of meeting an extraordinary expansion of expenditure. The duties now leviable upon tea and sugar have been called war duties; and it is undeniable that they are duties which, as to a certain portion of their amount, stand on special and peculiar grounds. That is to say, it was in consideration of the financial pressure, caused by a war, that Parliament consented to raise them; and again, when the war had concluded, it was to meet an enlarged scale of peace-expenditure that their fall was in part arrested, and they were allowed to remain at a higher point than had previously been contemplated. Indeed, I think that no one can fail to feel that they are duties, the reduction of which is greatly to be desired. At the same time, while the duty upon tea is more than 100 per cent., and the duty upon sugar is over 50 per cent., the supplies of both articles are abundant; the consumption of them both in ordinary years and in ordinary states of the country, shows a decided disposition to increase; the cause which led to the imposition of the extra rates, namely, a high expenditure, is still in existence; and there is no such great difficulty attending the case of these duties, as to give them an urgent, imperative, and paramount claim upon the attention of Parliament. The other two subjects, which must occur to the minds of the Committee, are those which were likewise associated together in the legislative proposals of last year and in the debates of this House; I mean, the one, what is called the

tenth penny on the income tax ; and the other, the repeal of the paper duties. When her Majesty's Government proposed in 1860 the repeal of the duties upon paper, the issue was raised by my hon. friend the Member for Somersetshire (Sir William Miles), representing the party in Opposition, of course in the form which he thought was most favourable to himself, but which undoubtedly involved no unfairness, and which could not be, and was not, complained of by the Government ; in this form namely, that the tenth penny of the income tax was imposed in order to bring about the repeal of the duties upon paper. Thus by his motion, made on behalf of his party, he linked the two subjects together. These are the subjects upon the discussion of which I wish to enter at this moment, and to which I invite the particular attention of the Committee.

And here we are faced at once by the old controversy between direct and indirect taxation. I take some credit to myself for never having entered in this House into any disquisition upon such a subject. I have always thought it idle for a person, holding the position of Finance Minister, to trouble himself with what to him is necessarily an abstract question namely, the question between direct and indirect taxation, each considered upon its own merits. To many people both, as is natural, appear sufficiently repulsive. As for myself, I confess that, owing to the accident of my official position, rather than to any more profound cause of discrepancy, I entertain quite a different opinion. I never can think of direct or indirect taxation except as I should think of two attractive sisters, who have been introduced into the gay world of London ; each with an ample fortune ; both having the same parentage (for the parents of both I believe to be Necessity and Invention) differing only as sisters may differ, as where one

is of lighter and another of darker complexion, or where there is some agreeable variety of manner, the one being more free and open, and the other somewhat more shy, retiring, and insinuating. I cannot conceive any reason why there should be unfriendly rivalry between the admirers of these two damsels; and I frankly own, whether it be due to a lax sense of moral obligation or not, that as Chancellor of the Exchequer, if not as a member of this House, I have always thought it not only allowable, but even an act of duty, to pay my addresses to them both. I am, therefore, as between direct and indirect taxation, perfectly impartial. But then I must say, that with regard to the remission of indirect taxes, I hope that the memorable history of the last twenty years will never be forgotten; for I do not scruple to state that if you look to its economical profits on the one hand, and then to its political, social, and moral fruits on the other, it is difficult to know to which to give the palm in point of magnitude. If we had not gained one single shilling by the remission of indirect taxation, it would have been worth having, for the sake of the manner in which it has knit together the interests and feelings of all classes of the community from one end of the country to the other. If, on the other hand, it had had nothing to do with any question of moral and social results, still the merely economical effects, in promoting the material well-being of the people, have been so signal and extraordinary, that we may well rejoice to have lived in a period during which it has been our happy lot to take part in bringing about such changes. But, Sir, there cannot be a grosser delusion than the supposition that the work of Parliament, during the period I have named, has been to destroy indirect taxation. The hand with which Parliament has wrought has been a pruning

hand ; its thought all along has been not to destroy the tree, but to strengthen the stock ; the aim of the operation has been to augment both size and vigour ; and the consequence is that at this moment, when indirect taxation has been destroyed, as the fashionable phrase is, not once, but four or five times over, indirect taxation is larger and more productive—I do not mean in this particular year, but in any ordinary year, and upon the average of the last two or three years—than at any former period of our history. Its condition recalls to the mind that tree of golden leaves which has been described by Virgil ; from which his hero was ordered to pluck a branch, and on whose trunk, the moment one branch had been plucked, another took its place. In the language of the great poet himself :

———“*Primo avulso non deficit alter
Aureus ; et simili frondescit virga metallo.*”

And then advice is given, which we have done well, and shall yet do well, to follow—

“*Ergo altè vestiga oculis, et rite repertum
Carpe manu.*”

I believe the comparison to be a just one between this tree of Virgil, and that thriving tree of indirect taxation, on which Parliament has expended so much of its energy and its care. It has done much, yet something may still remain to do ; and I trust that, when favourable circumstances shall offer, the House of Commons will not hold its hand, but will from time to time carry on so good a work, always observing those limits on which its goodness depends—I mean the limits of prudence and of justice. But, Sir, in speaking thus of indirect taxation, I cannot deny that remissions of direct taxation are as just, and often as desirable ; and I as fully feel, as gentlemen opposite may feel, that our direct taxation has reached a point at which it is

greatly to be wished that we should, if we can, begin, at least, to impart to it a downward movement. I do not think that the condition of this country with regard to its finances can be wholly satisfactory when, in time of peace, the income tax stands at tenpence in the pound. I know very well that I am supposed to be under a special responsibility, not only for the amount, but for the existence of the income tax. It has often been charged upon me, and I believe is to this day alleged, that it is my absolute duty, whatever be the circumstances, and whatever be the expenditure, to find the means of abolishing that tax, with or without a substitute. I must confess that I think that is a hard imposition. I should like very much to be the man who could abolish the income tax. I do not abandon altogether the hope that the time may come. ("Hear.") I can assure hon. gentlemen that I am not about to be too sanguine, for, in finishing the sentence, I should have proceeded to quote Mr. Sydney Smith, who, in his admirable pamphlet upon the ballot, speaking, I think, of its establishment, or of something else, as of a very remote result, says he thinks we had better leave the care of this subject to those little legislators, who are now receiving a plum or a cake after dinner. I am afraid that some such amount of self-restraint may be necessary with regard to the income tax. But in point of fact this question is simply a question of expenditure, and I will not speak of expenditure as a thing that can be suddenly and rapidly dealt with. Upon all sudden attempts to reduce it, and upon all promises to make sudden, extensive, and sweeping reductions in it, I, for one, should look with great suspicion and disfavour. But, looking forward into the future, and desirous to afford such indications of it as I can venture to give, I should hazard an opinion that,

if the country is content to be governed at a cost of between 60,000,000*l.* and 62,000,000*l.* or even 64,000,000*l.* a year, there is not any reason why it should not be so governed without the income tax, provided that Parliament shall so will it to be. If, on the other hand, it is the pleasure of the country to be governed at a cost of between 70,000,000*l.* and 75,000,000*l.* a year, it must, in my judgment, be so governed with the aid of a considerable income tax. That I believe to be the whole case; and I really cannot conceive that my responsibility to abolish the tax, is that absolute and unconditional responsibility, wholly apart from any question of the amount of expenditure, for which provision is to be made, which it has been represented by some gentlemen to be. I think that it would be a most enviable lot for any Chancellor of the Exchequer—I certainly do not entertain any hope that it will be mine—but I think that some better Chancellor of the Exchequer, in some happier time, may achieve that great consummation; and that some future poet may be able to sing of him as Mr. Tennyson has sung of Godiva, although I do not suppose the means employed will be the same,

“He took away the tax,
And built himself an everlasting name.”

But the business we have before us to-day is of a much humbler order. What we have now to do is to deal with a moderate estimated surplus as best we can; and Her Majesty's Government think that, looking at all the circumstances of the case, they may in the present year propose to Parliament to remit from the income tax the penny which in 1860 they asked Parliament to impose. The cost of that change, if it be accepted by the House of Commons, will be as follows:—Each penny of the income tax now yields about 1,100,000*l.*

a year, and the remission of this penny will, in the course of the present financial year, cause a loss approximating to, but rather beyond, three-quarters of the whole annual product; a loss of nearly 850,000*l.* The tax will, after the first quarter of the financial year, be levied at the rate of 9*d.* in the pound upon incomes of above 150*l.* a year, and of 6*d.* in the pound upon incomes below that amount. This sum of 9*d.*, it will be recollected, was imposed upon the country without any reference to remissions of duty. It was imposed in 1859, to meet the necessary charges of the year, with our expenditure on its augmented scale, even before the outbreak in China; and it stands totally disconnected from any question of financial and legislative policy which we may or may not adopt.

The fourth and last of those subjects to which I have referred is the duty on paper; and Her Majesty's Government are of opinion that happily the time has now arrived, when they may approach the consideration of that question without awakening any adverse feeling, and when they may hope, not only that there will be no revival of a painful and arduous controversy, but that by the proposal which they make they may seal up that controversy and bring it to a final close. During the last Session of Parliament I heard but few Members of this House object to the repeal of the paper duty on the merits of the proposal itself. My right hon. Friend the Member for Coventry (Mr. Ellice), on the third reading of the Bill for the repeal of that duty, gave expression to sentiments which certainly did not accord with my own feelings at the moment, but which, I admit, were felt by many Members of this House. On the 8th of May, 1860, and his observations will spare me the necessity of entering again into detail on the question, his words were:

“With respect to the tax which we are now discussing, I have

not a word to say in its defence. It is about as odious a tax as one can well imagine. It is not only a tax which interferes, as all Excise taxes do, with an important branch of manufacture, being almost the only tax"—

My right hon. Friend might, perhaps, have gone even further, and have said with substantial truth the only tax—

"of that description now left in our fiscal system; but it also impedes the circulation of information and of knowledge. Upon all these grounds no man is more disposed to repeal this tax, whenever we can do so without robbing the Exchequer. But when we are called upon to repeal it at the risk of leaving a large deficit, or when we are called on to impose other taxes equally odious to the people, I think we should wait until some more favourable time presents itself."—3 *Hansard*, clviii. 945.

My right hon. Friend laid down two conditions. He said, "I will not repeal this tax while there is any risk of a deficit." I do not raise any old controversy, and indeed I admit that, if my memory serves me right, we had at the period when that speech was delivered a prospect of a more than possible increase of outlay; but I have shown you on the figures that there is no prospect of a deficit now. He also said, "I will not repeal it when we are called on to propose other taxes equally odious;" and I do not think I am misrepresenting his intention, when I say that the meaning was—"I will not repeal the duty on paper if that repeal is to be purchased by the augmentation of the income tax." I now invite the right hon. gentleman and the Committee to concur in that repeal, in conjunction, not with an augmentation, but with the commencement of a diminution of the income tax. When we consider the subject on its merits, every man, I am sure, will admit the powerful considerations, that must concur in recommending the measure we propose. There is the yet unredeemed pledge conveyed by the Resolution of this House. There is the increased

and increasing difficulty of executing the law. There is, under cover of that Resolution and much connected with it, the conscientious and impartial declaration of the department intrusted with the duty of collecting the tax. There is the important fact that the repeal of this tax received the sanction of a large majority of this House last year ; and though that majority dwindled on a subsequent occasion, it dwindled only in the face of the fact that new demands for public purposes had come into view, and because it had become obvious that some new fiscal measures must be taken to supply the wants of the Exchequer. Such being the case, we are convinced that we are now, under altered and happier circumstances, making a proposal which will receive, not the acquiescence only, but the approval and sanction of the House. I trust there is no one here who thinks this an improvident measure who believes it to be what is called a sacrifice of the entire source of revenue, and imagines that a tax of this kind on its repeal leaves behind it no reproductive powers. I have in my hand an account of the entire produce of the Excise duties at certain periods. In 1844 these amounted to 14,469,000*l.*; since that time we have repealed 2,355,000*l.*, and assuming that no reproductive power exists in remissions of this class, there should now remain of Excise duties 12,114,000*l.*, instead of which they amounted, in 1859, to 20,224,000*l.* Of course, in that sum was included a certain amount, perhaps somewhat short of 2,000,000*l.*, arising from the augmentations in the duties upon spirits in Scotland and Ireland between 1853 and 1858 ; but the great bulk of that increase was derived from the augmented strength and consuming power of the country, and that augmented strength and power were themselves due to the comprehensive legislation which I have named. Amounting in the gross to no less than

8,126,000*l.*, this increase was due to the extension of our trade, industry, and enterprise consequent upon the remissions of Excise duty, and other remissions like them, more than to any other cause.

Let me now give the Committee the financial results of these two propositions. We have a probable or estimated balance of 1,923,000*l.* One penny taken off the income tax will deprive us, for about three-fourths of the year during which the change will be in operation, of 850,000*l.* We cannot propose the repeal of the paper duty from the 15th of August, the period which was fixed on last year, because that would trench rather too sharply on the amount at our command. We propose to date its remission from the 1st of October. The loss on the Excise revenue, by repealing the paper duty from the 1st of October, is computed at 675,000*l.*; and there will be a loss of Customs' duty, from the same cause, of 15,000*l.*: making together 690,000*l.* There will be, however, a saving, by reduction of the Vote on stationery, of about 15,000*l.*—a sum representing but a very small proportion of the direct saving which the public, as consumers of paper, will make by the repeal; but that is the amount of the direct saving on the consumption of paper, more or less, for the present financial year. Adding to this sum a further sum of 10,000*l.*, the probable amount of the saving by reduction of the establishment charges for the half-year, the total saving will amount to 25,000*l.*, leaving a net loss on the repeal of the paper duty for 1861-2 of 665,000*l.* Coupling this sum with the sum to be lost by reduction of income tax, the total remission will be 1,515,000*l.*, which, when deducted from the balance of revenue, will leave a residue of that balance which I have submitted to the Committee, or what is commonly called a surplus, to the moderate amount of not more than 408,000*l.* And here, Sir, on

the part of the Government, I must make an appeal to the House of Commons. I venture to express a hope that its Members will give us their support in resisting any attempt at invading this very moderate surplus, composed of the materials which I have described. The Government have selected what they thought great and important items for a remission, which they have thought it was their duty to propose, for the benefit of the community at large, and of the trade and industry of the country; and with respect to other overtures, even though they should appear reasonable in themselves, we feel it an absolute obligation, in which we trust the Committee will give us its support, to decline, in the absence of further means and of a fuller Exchequer, to listen to any such demands, however pressing they may be.

But, Sir, I must not finally dismiss this subject without referring, as I pass on, to a matter of considerable, though secondary, importance; I allude to what are called the minor charges on trading operations. In my official capacity I have received memorials from several Chambers of Commerce, expressing the desire of the mercantile world to be relieved from those charges, and I should be very sorry to leave any portion of the merchants of this country under the impression that the expression of any wish of theirs had not led to the most respectful examination of the subject on the part of any Chancellor of the Exchequer; perhaps I ought to add, particularly on the part of one being, like myself, closely connected by origin and association with their class. The income proceeding from these charges is about 310,000*l.* or 320,000*l.* a year; and it is obvious that the Exchequer is not in a condition to make a surrender of that sum. But, further, I am bound to say that, as regards the greater number of these charges, I cannot

admit that any case has been made out to justify such a surrender. In all there are six of them. The charge on dock warrants, the charge on delivery orders, and the charge on contract notes, are the three first. These three are stamp charges; and I believe them to be as unobjectionable, as almost any charges to be found among the stamp duties of the country. Two others of the measures of this class, adopted last year, have reasons for their maintenance entirely apart from their fiscal results. One of them consists in an imposition of a stamp duty of 1s. 6d. on the bills of lading taken out for commodities exported from this country, and it yields a sum of 40,000*l.* or 50,000*l.* a year. But the charge was imposed chiefly for a purpose beyond the mere collection of revenue; namely, with a view of obtaining accurate and trustworthy, instead of inaccurate, statistical information. That object we have been in a great degree enabled, by means of this instrument, to attain. I am bound to say that I think it one of great public importance; and although, in a very few cases of very small values, the charge may have been inconvenient, I cannot admit that a case has at present been made out against the continuance of the tax. Next, and fifthly, as regards the charge of certain small fees, by way of percentage, on deliveries of goods out of warehouse; the object in our view was not merely to obtain a certain amount of money, but to impose, by means of a self-acting check, a limitation upon an expenditure, which was both very serious in its amount, and very difficult for the servants of the Crown to controul; I refer to the charge incurred, and to be incurred, by extending what are termed warehousing privileges to small ports, and also to inland towns. The effect of the tax was to put on these places themselves a portion of the charge of

the establishment. I confess I think that a very valuable tax; and I am not prepared to admit that it is attended with any peculiar disadvantages, or with any great imposition of labour upon private parties, in order to its collection. The remaining charge is one with respect to which I must say that I cannot go the same length. I refer to the charge of 1*d.*, which is charged, according to a scale which has been established, on goods imported into this country. I frankly admit that, although the tax appears to be attended with some appreciable amount of statistical benefit, I think there is a good deal of labour imposed on the mercantile classes, of labour, too, which is perhaps inseparable from its collection; and labour, after all, when it is imposed on the taxpayer, is in itself an additional tax. If that cannot be got rid of by any better arrangement—a point on which I dare not hazard a sanguine opinion—I am quite willing, and, indeed, I am of opinion that Parliament, at some early period, should reconsider the subject. But with respect to the demands advanced by certain Chambers of Commerce for the abolition of the whole of these charges, I think I have shown that even were the measure in itself desirable (which I cannot admit), yet the Government, with such a moderate balance as 408,000*l.*, would not be justified in acceding to their demands.

Sir, perhaps it may be thought that by the proposals we make we are calling upon Parliament to compromise the interests of the next financial year, 1862-3. We are certainly about to bring an additional deficit upon that year. There will be the second portion of the paper duty—somewhat less than a moiety—amounting to 525,000*l.*, which will not come upon this year, but will appear as an item to our debit in 1862-3. There is, likewise, the remaining quarter of the income tax,

which would add 280,000*l.* to the loss of 850,000*l.* which we shall incur at once. Now, Sir, I do not at all think, provided we do not aim at too great an exactitude of detail, and provided we are not supposed to be making calculations for a more remote future (which are of necessity dangerous even for the year actually current), but are only endeavouring to sketch circumstances prospectively, so far as they may be made the fair subject of conjecture, I do not think it at all unfair to ask, whether there is a reasonable prospect, that we shall in what we now propose, be doing justice to the Revenue of 1862-3? I say, then, in reply, that there is every prospect of it. In the first place, as far as regards China, the present year is a year, to a considerable extent, of war expenditure. A not inconsiderable portion of our Army and Navy Estimates are due to the force in China; and even as regards the balance between the Vote of Credit and the amount of indemnity, there is a sum of 250,000*l.* still forming a special burden on this year. In taking 500,000*l.* as the sum due to China, and now borne on Naval and Military Estimates, I am sure that I am understating the amount. Then, if I take 250,000*l.* as the excess of direct war charges chargeable to the Vote of Credit, which we have this year to defray, and if I take 500,000*l.* as that which may be called the normal and regular increment of the national revenue, one year with another, from the growth of the population and of wealth, those sums will together amount to 1,250,000*l.*, a considerably larger total than the amount we are going to take from the Revenue of 1862-3 by the changes to which we now invite your attention.

Now, Sir, one point only remains, and it is this. I propose to re-enact the income tax, and tea and sugar

duties only for a single year. There is advantage in a more permanent legislation ; but we feel this difficulty in our way : if we were to ask for the re-enactment of those duties for three years, it would be said with some appearance of reason, that such a proposition implies a certainty that they will not be reduced before the end of three years. Our object is to leave these questions open to the discretion of Parliament, so that in the event of our being able to propose hereafter a sufficient reduction of expenditure, there may be a free choice as to the selection of taxes for diminution. And, therefore, on the whole, we think it fitting for the moment, though admitting that the proceeding is, on general grounds, not without inconvenience, to propose the re-enactment of these taxes for one year only from the 1st of next July.

With respect, again, to the levying of the income tax, the exceptional operation of last year, which brought into the compass of twelve months two quarters of the former year together with three quarters of the latter one, now gives place to the normal condition, and the collection for the year will be one quarter at 10*d.* and three quarters at 9*d.* I shall, however, ask leave to introduce a clause into the Bill to facilitate the collection of the tax on certain dividends which fell due since the 1st of April, and escaped payment of tax. This is not, in point of principle, an *ex-post facto* legislation, for the gentlemen who received these dividends would be bound themselves to return them for taxation in Schedule D ; but as it is just possible that here and there some one or two might forget to make the proper return, to prevent any accident of that sort, the Bank and other paying bodies will be required to supply lists of the names of the parties and the amounts they have

received, so that we may see that the law is thus far at least fairly and uniformly applied.

I come now, Sir, to the order of subjects, which we shall follow in submitting our proposals. I shall ask the Committee to vote immediately, in the usual form, without prejudice to their ultimate decision, a Resolution enabling me to charge a double duty on foreign chicory. That Resolution is the only one on which I shall ask the House to vote to-night; but I shall propose that the House should again resolve itself into a Committee of Ways and Means on Monday, in order to decide on the proposals of the Government. It is very desirable, in reference to the collection of the income tax and the making of the new assessments this year, that the decision should be as expeditiously arrived at as is conformable with the convenience of the House; for, if the income tax should not be re-enacted until late in the Session, the result will be seen in a smaller amount collected within the financial year. And the nature of the duties on tea and sugar, so important to commerce, likewise makes dispatch desirable. As to the mode and order of proceeding, we intend to adopt that which we think will at once give the House the most ample facility and convenience in discussing the measures of the Government, and be best suited to the position and office of the House as a branch of the Legislature. As the whole of our proposals are strictly financial, and as they together form one single plan, we shall present them all in their proper connection with one another by a series of Resolutions in Committee of Ways and Means. We shall take, first, the income tax; then the tea and sugar duties; and after these the repeal of the duties on paper. Some minor Resolutions will follow; and when they are all reported together from the Com-

mittee, we shall ask leave to bring in a Bill pursuant to the Resolutions which the Committee will, as we hope, have adopted.

Now, Sir, it is impossible for me to conclude a financial survey of the affairs of the country, with, at any rate, so much of effort to exhibit their details to the Committee, without some few reflections upon its general condition. And, in referring to that general survey, I must, in the first place, tender the expression of my gratitude for the kindness and patience with which the Committee have followed me through what I may almost call a wilderness of figures. Sir, as respects the connection between the general condition of the country and its financial state, I must say the reflections which this picture before us suggest are satisfactory. We have seen this country, during the last few years, without European war, yet placed under a burden of taxation such as, out of an European war, it never was before called upon to bear; we have also seen it last year under the pressure of a season of blight, such as but few of living men can recollect. Yet, on looking abroad over the face of England, no one is sensible of any signs of decay. Least of all can such an apprehension be felt with regard to those attributes which perhaps are the highest of all, and on which, most of all depend our national existence, the spirit and courage of the country. It is almost needless to say that neither the Sovereign on the Throne, nor the nobles and the gentry that fill the place of the gallant chieftains of the Middle Age, nor the citizens who represent the invincible soldiery of Cromwell, nor the artisans or peasantry, who are the children of those sturdy archers that drew the crossbows of England on the fields of France—that none of these betray either inclination or

tendency to depart from the tradition of their forefathers. If there be any one danger which has recently in an especial manner beset us, I confess that, though it may be owing to some peculiarity in my position, or to some weakness of my vision, that danger has seemed to me to lie during recent years chiefly in an increased susceptibility to excitement, in our proneness to constant and apparently almost boundless augmentations of expenditure, and in the consequences that are associated with them. I do not refer to this or that particular charge or scheme. Of course I do not refer to the Estimates of the year, which are in our judgment required by the circumstances, taken as a whole, in which we stand. But I think that when in an extended retrospect we take notice of the rate at which we have been advancing for a certain number of years, we must see that there has been a tendency to break down all barriers and all limits, which restrain the amount of public charge. For my own part, I am deeply convinced that all excess in the public expenditure beyond the legitimate wants of the country is not only a pecuniary waste—for that, although an important, is yet a comparatively trifling matter—but a great political, and, above all, a great moral evil. It is a characteristic, Sir, of the mischiefs which arise from financial prodigality, that they creep onwards with a noiseless and a stealthy step; that they commonly remain unseen and unfelt, until they have reached a magnitude absolutely overwhelming; and then at length we see them, such and so great as they now appear to exist in the case of one at least among the great European states, I mean the Empire of Austria; so fearful and menacing in their aspect, and so large in their dimensions, that they seem to threaten the very foundations of national existence. Sir, I do trust that

the day has come, when a check is beginning, among ourselves, to be put to the movement in this direction. I think, as far as I have been able to trace the sentiments of the House, and the indications of general opinion during the present Session, that the tendency to which I have adverted is at least partially on the decline. I trust it will altogether subside and disappear. It is indeed true—at least I for one should be among the first to uphold the soundness of the assertion—that sweeping and violent reductions of expenditure are to be deprecated almost as much as excess and prodigality. But, at the same time, there is many an one who shares that sentiment, and yet who still feels that it is demanded by high public expediency, and by national duty, that we should recur, I do not say to the charges—for national wants, with the nation's ever increasing growth, will vary and will grow—but to the spirit, the temper, and the rules with which, no long time ago, we were all wont to apply ourselves to the subject of the public expenditure. Sir, I trust that such a wish may be realised; and if only it be so, then, for my own part, I say that, if there be difficulties in the work of Government, they are not, so far as regards the department with which I have the honour to be connected, difficulties which any man of ordinary courage need for a moment, under whatever contingencies, hesitate to face. The spirit of the people is excellent. There never was a nation in the whole history of the world more willing to bear the heavy burdens under which it lies; more generously disposed to overlook the errors of those who have the direction of its affairs. And, for my own part, I hold that, if this country can steadily and constantly remain as wise in the use of her treasure, as she is unrivalled in its production, and as moderate in the exercise of her

strength as she is rich in its possession, then we may well cherish the hope that there is yet reserved for England a great work to do on her own part and on the part of others, and that for many a generation yet to come she will continue to hold a foremost place among the nations of the world.

Sir, I beg leave to move the following Resolution :—

“That towards raising the Supply granted to Her Majesty,—
In lieu of the Duties of Customs now charged on the articles undermentioned, the following Duties of Customs shall, on and after the 16th day of April, 1861, be charged thereon on importation into Great Britain and Ireland; namely:—Chicory, or any other vegetable matter applicable to the uses of Chicory or Coffee, raw or kiln-dried, 12s. the cwt.”

FINANCIAL STATEMENT OF 1862.

DELIVERED ON THURSDAY, APRIL 3, 1862.

The House having resolved itself into a Committee of Ways and Means,

The CHANCELLOR of the EXCHEQUER rose and said,—

SIR,—The statement which I have to submit to you on the present occasion is in some respects of a simpler character than those which, on former occasions, it has been my duty to offer to Parliament. At the same time, there is commonly, after a period of extensive legislative changes in finance, a residue of questions, each perhaps, if taken singly, of secondary importance, but requiring, or thought to require, notice, or even readjustment, or seeming to flow by way of consequence from those of which Parliament has already disposed. I must on this account, I fear, trespass for some time—if not for as long a time as in some former years—on the indulgence of the Committee.

Apart, however, from the case of the particular year, I feel that the duty of a Minister of Finance in submitting to this Assembly his annual statement may be variously viewed. If he were to confine himself strictly to laying before the Committee the balance-sheet of the past and that of the coming year, his office would be a very simple one. But, for my own part, I cannot help thinking that it is more agreeable to the Committee—I

have at least found it so in former experience of your indulgence—that its Members should be put in possession of all such information, as the Government is able to afford on matters of importance; when the information is such as, although not immediately belonging to the balance for the year, yet directly bears on the state and condition of the country, on the relation of its revenue to its expenditure, and on the amount of its resources as compared with that revenue and that expenditure. That being my interpretation of the feeling of the House, I shall proceed in the persuasion I have named; losing no time in irrelevant discussion, so far as it is in my power to avoid that error, but at the same time endeavouring to lay before the Committee as full and impartial a view, as I am able to present, of our financial position, and of the relation of that position to the general condition of the country.

Beginning, then, as usual, with a retrospective glance at the revenue and expenditure for last year, I shall, with the permission of the Committee, first call its attention to the latter. The expenditure for the year which has just closed was estimated by me in the month of April, 1861, at 69,875,000*l.*; and in order to avoid confusion, I will state at this point—as I rather think I stated at the time—that over and above that expenditure it was necessary to make issues from the Exchequer, in respect of what are termed Excesses in the expenditure of previous years, of sums amounting to between 200,000*l.* and 300,000*l.* Those sums have, I may add, in point of fact, amounted to 278,000*l.*; and I wish the Committee clearly to understand, that though they must appear in the account of the Exchequer issues for the year, yet the money which they represent was money which had been previously expended, and that the balances in the Exchequer were, in consequence, already so much

the lower. As that is the case, they constituted no part of the effective expenditure of the year, and accordingly no provision was made for them in Committee of Ways and Means. It is not necessary, and it would be tedious if I were to attempt to explain at this moment the nature of the mode, in which these occasional and irregular forms of charge are dealt with and provided for. Suffice it to say, in general terms, that they are originally defrayed, in the department in which they occur, by anticipations of the coming and prospective grants for the ordinary services, and thus they remain as it were in suspense, until provision has been regularly made for them by a vote of the House of Commons. They therefore constitute a mortgage, so to speak, on these ordinary grants, and the effect of a Vote in excess, when passed by the House, is to release the ordinary grants from the mortgage by an addition to the Exchequer issues, but not to the cash expenditure. Those ordinary grants, therefore, when so released from the charge set against them by an anticipation, remain available in full for the expenditure of the year. I have thought it necessary to say thus much, in order that hon. gentlemen may bear in mind that I have now in view, in the figures which I am about to quote, the effective, and not the purely nominal, expenditure for last year.

That expenditure was estimated, as I have already said, in April last, at 69,875,000*l.*; but I regret to say it has actually proved to be considerably more. Since the financial statement of the Government was made, and since the measures founded on and connected with it came into operation, considerable supplementary grants have been made for various purposes. A portion of these grants was made in the Session of 1861, to the extent of 526,000*l.* A larger portion was made in 1862,

principally in connection with the recent dispatch of troops to British North America, but likewise, as regards a comparatively small sum, on account of China. The joint amount of these latter charges was 973,000*l*. These sums constituted an addition of 1,499,000*l*. to the original estimated expenditure of the year, and have raised the total estimated expenditure to 71,374,000*l*. The actual expenditure of the year, still, of course, deducting the excesses of previous years in this case, as I have done in the former one, was 70,838,000*l*., or less by 536,000*l*. than the estimated expenditure. But I am bound to say that, although that margin is not an inconsiderable margin, yet it is a less one than in many former years we have been able to congratulate ourselves upon finding. So much, then, for the actual expenditure of the year, as compared with the sums voted, and with the net amount of the estimated charge.

Now, Sir, I would briefly call the attention of the Committee, in the next place, to the expenditure of the past year as compared with that of the two former years. The expenditure of 1859-60, as it was represented in the Exchequer account at the time, was 69,523,000*l*.; but there were excesses in the expenditure of that year not brought to account at the time—principally portions of the excesses of which I have just spoken—which increased the real expenditure of 1859-60 up to 69,748,000*l*. Comparing with that expenditure of 1859-60 the expenditure of 1861-2, we find the difference between 69,748,000*l*. and 70,838,000*l*. to be 1,090,000*l*., which constitutes the increase upon the expenditure of the year which has just expired, as compared with 1859-60, the year next but one before it. Comparing, however, the expenditure of the year which has just expired with the expenditure of the year immediately preceding it, the account stands as follows:—

The expenditure of 1860-1 was 72,504,000*l.*; the expenditure of 1861-2 has been 70,838,000*l.*; so that there is a decrease in the expenditure of 1861-2, as compared with 1860-1, amounting to 1,666,000*l.*

I now proceed to state the condition of the revenue of the past year, and, first of all, of the revenue as compared with the expenditure. This comparison will be a comparison of the revenue, both with the original estimate of expenditure, which was the basis of the financial measures adopted by the House, and likewise with the final expenditure, including the supplemental charges, to the amount of about 1,500,000*l.* The expenditure of the year 1861-2, as I have stated, was 70,838,000*l.*; the revenue was 69,674,000*l.* The deficit upon a comparison of these two figures is 1,164,000*l.* The supplemental charges, subsequent to the financial arrangements for the year, were 1,499,000*l.*; and, deducting the deficit as it stands of 1,164,000*l.*, it follows that, according to the original financial arrangements, there would have been a small surplus of revenue over expenditure, amounting to 335,000*l.*

I now wish to approach an interesting, and, I think, a satisfactory portion of the subject. It is a part of the subject with which the Committee are already in a great degree acquainted—the comparison of the revenue of the year just expired with the revenue of the year immediately foregoing. The year 1860-1 produced 70,283,000*l.*; 1861-2 produced 69,674,000*l.* There was, therefore, a decrease in the revenue of 1861-2, as compared with 1860-1, amounting to 609,000*l.* But, Sir, as I remember to have provoked a smile last year, by pleading on behalf of 1860-1 that it was short of the preceding year by one or more days; so, in order to make my parallel more precise, I now add to this deficit for 1861-2 two days' receipt of that portion of the revenue

which is dependent on daily transactions, at the rate of 100,000*l.* per day; so as to make a full equalisation between the two years. When this has been done, the amount of the decline so augmented in 1861-2 as compared with 1860-1 will be 809,000*l.*; which I take to be a fair representation of the real difference of the revenue. Now, Sir, I think the Committee will consider that these figures are eminently satisfactory, when they bear in mind the following fact; that in 1861-2, as compared with 1860-1, we had parted with three important items of revenue. We parted with a penny of the income tax for three-quarters of the year, or not less than 850,000*l.*; we had parted with the paper duty for six months of the year, which was estimated to entail a loss of 665,000*l.*, and I take it so for my present purpose, though, as I shall explain further on, the actual loss has been greater; and we did not enjoy in 1861-2 the malt credit which had been taken up in 1860-1, and which added to the resources of the Exchequer in that year to the extent of 1,122,000*l.* We therefore, in point of fact, lost in 1861-2 revenue which we had enjoyed in 1860-1 to the joint amount of these three items—namely, 2,637,000*l.*; and, deducting from that amount the real decrease of revenue, which I take at 809,000*l.*, it would appear that the improvement in the remaining sources of revenue, apart from the three which we have lost, yielded to us last year no less a sum than 1,828,000*l.** This is the more remarkable, because, whatever drawbacks we had to anticipate at the time when the financial measures of last year were laid before the House, have proved in the event to be somewhat more serious than we had supposed. These drawbacks were two. In the first place, we had to look for a great loss in the export

* Or, after deducting 266,000*l.* for China Indemnity received in 1861-2, a sum of 1,552,000*l.*—*Note in 1863.*

trade to America; and the loss has been very great. In the year 1860—I speak now of the natural year—our exports to America had been 21,667,000*l.*; in 1861 they sank to 9,058,000*l.*, showing a diminution of 12,609,000*l.* But what was more serious than the loss in our export trade to America was the loss which arose from the cotton crisis, as it has been termed. In the spring of last year, we had no means of knowing in what degree that crisis would affect us. War was impending, and though I do not recollect that it had actually commenced, still for all practical purposes it had virtually been begun; and it was obvious that a blockade would be instituted. It was well known, however, that such blockade would have to cover an immense extent of coast; and ideas prevailed that the changes in modern navigation, especially the use of steam power, would tend to render blockades far less effectual than in former times. Under these circumstances it is certainly singular that during the past year we should have seen an example of a blockade which, while perhaps one of the most extensive, has certainly in practice up to this time proved to be, for an extensive blockade, one of the most stringent and efficacious ever instituted. A remarkable proof of that fact is seen from the best of all indicators, namely, the price of cotton at different periods. The price of ordinary American cotton—Uplands, Alabama, and Mobile—in Liverpool, in March, 1861, ranged from 5½*d.* to 7½*d.* per lb. In March, 1862, the price of the same descriptions ranged from 10¾*d.* to 13*d.* per lb.; that is to say, in round numbers, the price has been all but doubled, exhibiting, in substance, the difference between the estimate of the severity and efficacy of the blockade before it had actually been felt, and the results, such as they are now within our knowledge and within our experience.

Again, Sir, the harvest of this country, although it was for the most part a good harvest in quality, was yet a deficient harvest in point of quantity. The proof of this is to be found in the amount of our importations of corn. It is true that it falls somewhat short of the importations of the foregoing year; but these had been enormously in excess of the importations of ordinary years. The average importations of corn are taken to yield to the revenue 500,000*l.* in corn duties; but the receipts in the financial year which has just expired from corn amounted to no less than 802,000*l.* Take also the price of corn. The average price of corn in the financial year 1860-1 was 55*s.* 10*d.* per quarter; in 1861-2 the average price was 56*s.* 7*d.*, showing on the face of the figures an increase in the last year as compared with the previous year, although an increase of no more than 9*d.* per quarter. Undoubtedly these figures, to a certain extent, require correction; because we are referring to British corn exclusively, and, the quality of the corn brought to market in 1862 being far superior to that of the corn sold in 1861, we may fairly say that bread was somewhat cheaper last year than in the year before. But there was no very great or marked improvement in the condition of the country in that respect; while, in reference to our American difficulties, everything has turned out at the very worst that could with reason have been anticipated. Under these circumstances, it appears to me to be one of the most striking and satisfactory indications we have ever had of the amount and elasticity of the resources of this country, of the industry and energy of the people, and of the beneficial results of the course of legislation for the last twenty years, that at such a time, after parting with 2,637,000*l.* of revenue, so very considerable a proportion of it should return to us from other sources.

But, Sir, I am bound not to part with this portion of the subject, until after warning the Committee against the danger they would incur from a cursory inspection of the revenue returns printed in the journals of Tuesday. Those who cast a hasty glance at those figures will say, that while they report a decrease of 609,000*l.* upon the year, they also report an augmentation of a very large sum—I think about 1,000,000*l.*—on the quarter. The apparent inference from the figures would be that the revenue of the quarter was improved; but that is far from being the case. On the contrary, as we had to expect, and as in some degree we must expect until a mitigating change in the causes of the mischief shall take place, the revenue of the country is, not in an alarming, but yet in a sensible manner, rather declining than otherwise at the present moment; so far, at least, as a judgment can be founded upon the figures before us. The excess on the April or fourth quarter of the last financial year over the corresponding quarter of 1860-1, was owing, not entirely, but mainly, to these two circumstances—first, to a very large collection of income tax within the closing quarter of the year; secondly, to a receipt of money in respect of China indemnity, forming part of the Miscellaneous Revenue of the year. The best indication I can give to the Committee, in a very simple form, of the relative course of the revenue during the latter part of the financial year, is by referring to the Customs; which, upon the whole, undoubtedly, as our laws now stand, form by far the readiest and most nearly accurate indicator of the consuming power, and, therefore, of the material condition of the people. The first three quarters of the financial year 1861-2, ending with December, exhibited an increase in Customs revenue amounting to 468,000*l.*; but the last quarter of

the year, ending on the 31st of March, exhibited a decrease of 100,000*l.*, and reduced the net increase of the year to 368,000*l.* The point, therefore, at which the revenue began to diminish towards the close of the year 1861, marks out the point from which we may, perhaps, do well to look onwards rather for some slight decline of the revenue, than for the full continuance of its buoyancy.

It is right, again, that I should not pass from considering the revenue of the last financial year without reminding the Committee of the estimates of revenue laid before them when it began; because, although I do not know that this has been an usual part of financial statements, it is useful that reference should be made at the close of the year to the estimates exhibited to Parliament at its commencement. The revenue of the year has fallen, as a whole, below the estimate by 609,000*l.* The particulars stand as follows:—The Customs duties have exceeded the estimate by 104,000*l.* The Stamps have exceeded the estimate by 130,000*l.* The Taxes have exceeded the estimate by the small sum of 10,000*l.* The Income Tax has exceeded the estimate by the small sum of 15,000*l.* The Miscellaneous Receipts have exceeded the estimate, apart from the China Indemnity, by 81,000*l.* The Crown Lands have fallen short of the estimate by the insignificant sum of 5,000*l.*; and the Post Office by the insignificant sum of 10,000*l.* In point of fact, the balance under these heads being, on the whole, decidedly in our favour on each item as compared with the estimate, we have to look to two heads, as those under which the receipt has fallen short. The first is the Excise. That branch has fallen short of the estimates by 456,000*l.* I need not refer now to explanations of minor importance. There were one or two proposals yielded or modified b the

Government in the course of the financial discussions of last Session ; and by these the revenue was affected, but not so materially as to have a serious influence on the main result. Generally the state of the Excise has been as follows. There has been a considerable gain on the estimate with reference to malt, in consequence of the very favourable nature of the barley harvest for malting purposes. There has been a considerable loss on spirits, the causes and circumstances of which I shall presently have further occasion to notice. There has also been a considerable loss on hops, about 100,000*l.* or more, referable, of course, to the accident of an unfavourable season ; and there has been a considerable loss on paper, referable chiefly to a great excess in the sum we were called on to pay for drawback on stocks in hand, over and above what had been conjectured. I say conjectured, because the Committee should be aware that there is a great difference between the estimate formed of a drawback when the officers of the Revenue Department have the means of making the investigation for themselves, and the same estimate when, as in this case, they have been of necessity dependent on such general accounts and information as it is in the power of members of the trade to give. Proceeding on that information, and no doubt it was the best of which the nature of the case admitted, the paper drawback was estimated at somewhere about 150,000*l.*, or a trifle over it. Instead of this it has been no less than 350,000*l.* ; and if you add that excess to the defalcation on hops, and to the shortcoming of the revenue from spirits, you will find that the failure in Excise revenue, as compared with the estimate, is accounted for.

Now, the remaining head, on which I must make an explanation to the Committee, is the China indemnity. The estimate of the China indemnity laid before the

Committee last year was 750,000*l.*: That estimate was based mainly, perhaps I should say entirely, on the opinion of our representatives in China, that the whole amount we were to receive, namely, 6,000,000 taels, or about 2,000,000*l.* sterling, would be forthcoming, by annual instalments pretty equal among themselves, within a period covering from four to five years. It was also framed when the intention of Her Majesty's Government was to pay the merchants nothing, as I may say, out of the State indemnity, there being a separate sum of 2,000,000 taels intended for them, which, as we considered, might be paid up for them, *pro ratâ*, in the same proportion as the other and larger sum for the State. We had in hand, before I made the financial statement of 1861, two preliminary payments, amounting to about 300,000*l.*; and adding to them four or five quarterly payments, at the rate of about 100,000*l.* per quarter, we reckoned the gross amount at not less than 750,000*l.* Now the facts have been as follows. First, owing to some accident, we have no precise account of any receipt later than the 30th of September last. That circumstance does not at all imply any irregularity in the payments, because the payments are made with perfect regularity and facility, so far as the Government is informed; but it is, as I have said, probably owing to some accident that we have not received any account for the December quarter, although we have no doubt that the money has been duly received, both for that quarter and for the following one, and has been applied to the public service. Up to September 30, the whole receipt was equivalent in English money to 478,000*l.* I state the receipt in English money for the convenience of the Committee, although it is impossible to give it with perfect precision, because the rate of exchange between China and

England varies from time to time. The whole receipt up to September 30 was, then, in English money, 478,000*l*. Two quarters down to April, at the same rate, would give 149,000*l*.; and we have every reason to believe that we shall have had, or rather that we have actually had, a gross receipt down to April of about 627,000*l*. The whole of that amount, the Committee will observe, will have become immediately available for the public service. It stands, in fact, from the moment it is received, in lieu of funds which must otherwise be obtained either by negotiating bills in China, or by remittances from this country. But, in the course of last summer, the whole case of the merchants came to be stated to Her Majesty's Government, and it appeared that they had been great sufferers by the abstraction of their capital during so long a period. Accordingly, though there was no case of strict right, we thought it equitable to make an arrangement with them, assigning to them a larger amount than the *pro rata* payment to which they would have been entitled; and somewhat abridging, in that manner, the receipt immediately forthcoming on behalf of the Exchequer. That makes, of course, no difference in the ultimate division of this indemnity; but merely anticipates, to a certain extent, in favour of the merchants, the payment of their own portion of the grant, by drawing on the Imperial portion of the indemnity. We have paid the merchants one-half of their substantiated claims. That moiety amounts, as well as I can reckon, to about 193,000*l*. The whole available receipt up to April, 1862, would thus probably be reduced to 434,000*l*. But, since we have no positive account of the last two quarters, although we have no doubt of the receipt, and although the money has been applied to the public service, we have thought it best not to take

credit for them in the present year, but only to take credit for what had been received, and likewise accounted for, up to the 30th of last September. From that sum of 434,000*l.*, therefore, the two quarters of 149,000*l.* have to be deducted, leaving 285,000*l.*, which, by making allowance for the difference of exchange, is again reduced to 266,000*l.* This sum is somewhat less, perhaps, than we might warrantably have taken to the credit of the year; but it is the only sum which we have actually carried to the credit of the Exchequer account. We might probably have been justified in taking credit for more than 400,000*l.*; but I think the course we have pursued is, perhaps, the most regular and the most convenient. The material point, however, to which I desire to draw the attention of the Committee is this, that apart from the question of the excess which we have paid over to the merchants, it must be admitted that the expectation originally entertained in China as to the annual yield of the Customs duties, has been somewhat too sanguine, and has not been supported by the accounts we have since received. Instead of four or five years, it now appears that a period of not much less than seven or eight years from the first payment may be necessary in order to realise the whole of the indemnity; unless some arrangement shall be made in the mean time for anticipating the payments, and thereby shortening the period.

Under these two heads, therefore, of Excise duties and China Indemnity respectively, the difference of 609,000*l.* in the actual revenue of the year as compared with the estimate is more than accounted for, the results of the other branches of the revenue having been, on the whole, in excess of the estimate laid before the Committee in the month of April, 1861.

I pass now to the balance-sheet for the coming year,

on which it will not be necessary for me to dwell at any great length. The Expenditure, as it is now estimated, for the year 1862-3, stands as follows. The charge for the Public Debt will be 26,280,000*l*. In that charge there is included, for the first time, the payment in full to the Bank of England on account of the labour and expense incurred by that establishment in the management of the Public Debt. In this manner it comes about, that there is an apparent augmentation of charge; but it is not a real augmentation, the only difference being in a matter of account. The charge itself has existed before. In point of fact there is a saving upon it, amounting to 50,000*l*. a year, of which we shall have the benefit this year for the first time. But it is now that for the first time the whole of it appears in our accounts, as a charge paid directly to the Bank, instead of being, as to the major part of it, dealt with by them in their books by way of set-off against certain sums which are placed there to the credit of the public. Next, the charges on the Consolidated Fund for the year will be 1,900,000*l*. The Army Expenditure stands at 15,300,000*l*.; and the Militia is likely to cost very nearly the sum of 700,000*l*.; making together 16,000,000*l*. There is here again, Sir, an apparent augmentation upon the corresponding grants made during the last Session. The corresponding grants made last Session were 15,571,000*l*., so that there is at first sight an apparent excess under the head of Army Expenditure amounting to about 429,000*l*. But, then, we bring into charge on both sides of the account this year, for the first time, our estimated expence on account of the effective force in India. The amount of that charge is, as we reckon, 730,000*l*. It has never been presented to the House of Commons at all before, either in the Estimates of Expenditure on the one side, or the Estimates of Revenue on the other; but it now appears

on both. In order, therefore, to make a fair comparison between the Estimate for the Army and Militia in the present year, and in the last, we must deduct from the total expenditure for the Army and Militia in the present year—namely, 16,000,000*l.*—the sum of 730,000*l.*, leaving 15,270,000*l.* as against 15,571,000*l.*; so that the Estimate shows, in fact, a small reduction of about 300,000*l.*, instead of an increase of 429,000*l.* The Estimate for the Navy for the present year is 11,800,000*l.* I beg pardon, but I am sorry to be obliged to go back to the Army Estimate again. When I said the Estimate for last year was 15,571,000*l.*, I mistook the figures, and the Committee will be good enough to substitute for that sum the sum of 15,481,000*l.*, which was the Estimate given last year for the charge of the Army. It is this year, after deducting the item for the Indian effectives, 15,270,000*l.*, so that the real decrease on the charge for this year is 210,000*l.* or 211,000*l.* The Estimate for the Navy in the present year, as laid on the table and voted by the House, is 11,800,000*l.*; last year it was 12,276,000*l.*, including a sum of 250,000*l.* voted towards the close of the Session for building iron ships. There is thus a reduction on the Navy Estimate of 476,000*l.*

I come next to the Miscellaneous Civil Services, the apparent charge for which will probably amount during the present year to 7,890,000*l.* Of this sum Estimates for 3,500,000*l.* have been already presented to the House, and others for about 4,500,000*l.* still remain to be presented. The total Estimate for these services last year was 7,693,000*l.*; but in the Estimate for the present year there are included sums, amounting in all to 357,000*l.*, which relate to matters not lying within the previous controul of the Treasury, nor within the ordinary scope of the expenditure under the head of Miscellaneous

Services. These are, in point of fact, Votes of account, which will be asked from the House to cover an expenditure already incurred abroad. There will be a Vote of 218,000*l.* in respect of the loss upon the exchange in China, as between British and Chinese currency; there will be 35,000*l.*, which is only one part of a Vote—for I am sorry to say it is not the whole sum that will have to be taken—for tracing the British North American boundary; 79,000*l.* in like manner has already been paid abroad on account of British Caffraria; and there is a sum of 25,000*l.*, forming a portion of a Vote of 55,000*l.*, on account of Vancouver's Island, which has also been already paid. Not less than 357,000*l.* is the total amount of the several sums, which we are obliged thus to ask as part of the Miscellaneous Estimates, not being, in fact, estimates at all, but Votes destined to satisfy charges, which have already been incurred in various quarters of our extended empire. I do not attempt at present to enter into a particular explanation of these Votes; because it would lead to too great an expansion of the statement I have to make. I leave them to the proper opportunity; and, no doubt, they will attract due attention on the part of the House when they come to be discussed. They are, however, partly in the nature (to use the technical term) of Excesses; and though they must appear in the accounts, and have not yet had the sanction of Parliament, yet they do not properly form part of the effective burden of the year. In truth, there is, with regard to prospective charge, a small decrease on the Miscellaneous Estimates.

The Estimate for the Revenue Departments is 4,754,000*l.*; while the Estimate for the Packet Service is 916,000*l.* China, I am sorry to say, will again appear in the disbursements of the year. I do not know that I shall have again, in point of form, to ask for a Vote of Credit;

but China will probably make a further claim upon our funds, on account of the expenditure connected with the recent war, to an extent which we estimate at 500,000*l*. I will revert to that subject before I sit down; but my statement of our expenditure has already advanced so far, that I think it well at once to gather into one view the material facts connected with it. The total estimated Expenditure for 1862-3 is 70,040,000*l*.

I have now to call the attention of the Committee to our estimates of the Revenue; and while speaking of those estimates I will also mention, in passing, that I include in them certain small sums that will probably accrue from some minor changes, of no great importance, which I have to propose to the Committee, and which it is not worth while to bring separately into account, as I should thereby both multiply and complicate the figures.

The Estimated Revenue for the financial year 1862-3 stands as follows:—The Customs we reckon will yield 23,550,000*l*.; the Excise 18,340,000*l*.; and the Stamps 8,625,000*l*. In this revenue from Stamps is included, for the first time, a payment of 60,000*l*. from the Bank of England, on account of the composition in lieu of the Stamp duty chargeable on the issue of its notes. The Land and Assessed Taxes we calculate will produce 3,180,000*l*.; the Income Tax is estimated in all likelihood to yield 10,000,000*l*.; the Post Office 3,650,000*l*.; and the Crown Lands 300,000*l*. The head of Miscellaneous Receipt will be exceedingly large, mainly because it is swelled by bringing to account what has hitherto never appeared in our accounts at all, and what I have already charged on the side of expenditure. There is the payment for the Indian effectives, namely, 730,000*l*.; and there is also the share which the Government receives out of the profits of the Bank's circulation of notes, or 130,000*l*. Neither of these items has ever appeared

in the balance-sheet of Income and Expenditure before. Then there is a sum of 255,000*l.* for the Indian non-effectives, the whole of which, except 60,000*l.*, appeared for the first time in the account of the year that has just expired; and there is a remaining sum of 1,160,000*l.*, which may be taken to represent our ordinary income under the head of Miscellaneous Receipt. The gross amount of these various sums is 2,275,000*l.*

We come next to the Chinese indemnity. From that indemnity, in the year on which we have now entered, I do not think it is safe to anticipate a net sum of more than 170,000*l.* I will state very briefly the grounds of that computation. Whereas we took the quarterly payments last year at somewhere about 100,000*l.*, we cannot take them now, seeing they have come in at a slacker rate than was originally expected, at more than 80,000*l.* And as we paid last year to the merchants a sum of, I think, 193,000*l.* as one moiety of their substantiated claims, we shall have to pay them not less than another sum of 193,000*l.* during the present year in full satisfaction of the remainder of those claims so made good. This will make the net receipt, for the year which has begun, a very low one; and I do not think we can, with entire security, reckon it at more than 170,000*l.*, although, if we were to take as sanguine a view as appears to have been taken in the budget on the other side of the Channel, in respect to the probable receipts of France from her share of the Chinese indemnity in the coming year, we might venture to place our return from this source at a somewhat higher figure. Calculating it, however, Sir, at 170,000*l.*, the total probable revenue of this country for the financial year 1862-3 will be about 70,190,000*l.*, against an estimated expenditure of 70,040,000*l.* [*Sensation.*]

Under these circumstances, although it is impossible

for me to interpret into articulate sound and meaning the general buzz I have heard around me, yet it is not difficult to define the general purport of the question which each man has probably put to his neighbour, and that is, whether new taxation is to be proposed? This is a question, I need not say, which it has been our duty, as a Government, to put to ourselves; and it is a question with respect to which, during the course of the past year, my mind, at least, has undergone material fluctuations, in obedience to changing and fluctuating circumstances. Four or five months ago I should have ventured to entertain, not an anticipation perhaps, but at any rate a hope, of being able to propose to the House some fresh remissions of taxes. It would not be true, indeed, to say of the coming year that it will be totally without the benefit of a remission of taxation, because, with respect to some portion of the taxation which was repealed last year, the full practical effect of such legislative repeal will only be felt this year for the first time. On the other hand, about three months ago there was an universal anticipation in this country that we were about to be involved in largely-increased expenditure, and that new taxes to a considerable extent would have to be proposed.

Her Majesty's Government have endeavoured to give the most careful consideration in their power to the question, what would be their duty in the circumstances which they have foreseen for about two months—namely, the circumstances of a close balance between the coming revenue and the accompanying expenditure. The first point to be taken into consideration, before deciding upon the course which it behoved them to follow, was the peculiar nature of the cause, which had latterly exercised a depressing influence upon the revenue. That cause is at once expressed in the single

word "America." Everything else is rising, growing, flourishing; but America, both with regard to trade, and still more as to the supplies of raw material for our manufacturing industry, exercises a depressing and lowering influence upon the vital circulation of capital and labour in this country. This subject is of such moment, that it may deserve more particular notice.

If we look simply to the export trade of this country with America, it is material, and not unsatisfactory, to observe that the case has improved, and is improving. And here I will give the Committee the latest account it is in my power to present, namely, an account down to the end of February last, or within five weeks of the present time. Our exports to America during the month of September amounted in value to only 483,000*l.*; in October, they were 709,000*l.*; in November, 739,000*l.*; in December, 805,000*l.*; in January, 1,086,000*l.*; and in February, 1,253,000*l.* Thus, as far as mere trade is concerned, there has been a very considerable degree of recovery. But the main question, as I ventured to state—and I cannot too strongly impress it upon the Committee—the main question is not the decrease of our export trade, vast as it is, not even when 9,000,000*l.* or 10,000,000*l.* have been taken from it; that is an evil, but an evil within bounds; the main, the grand question is this, whether a large portion of the population of this country is, or is not, to be supplied during the coming year with the one raw material of its industry, without which that industry is brought to a standstill, and that portion of the population deprived of the means of subsistence. I am sorry I cannot represent that there is any improvement whatever in that respect.

Our condition, notwithstanding, is in all other respects healthy. And here I must refer for one moment to

another subject. As this is the first occasion upon which I have addressed the House of Commons since the Commercial Treaty with France came into full, or what may be called full, operation, I may take the opportunity of stating what thus far, and without any prediction as to the future, have been the results of the treaty. I will take the same six months, to which I have already referred in the case of America; because they come down to the latest period, in respect to which it is in my power to give the requisite information. I make the comparison between six months, from September to February inclusive, in 1859-60, and the same six months of 1861-2. I pass over the six months of 1860-1, because that was a period, during which the treaty was in partial operation; that is to say, it had taken effect on the side of England only. I compare the first six months of the first year of the full operation of the treaty with the same period of the very last year before that treaty came into operation at all. In these six months, however, I include September, though the new duties only began with October; because September, as the immediately foregoing month, represents the shipments of goods in anticipation. Well, Sir, the exports of British produce from the United Kingdom to France in the six months from September to February in 1859-60 amounted in value to 2,196,000*l.*, and in the six months of 1861-2 they had risen to 6,091,000*l.* The apparent increase from these figures is 3,895,000*l.*, being, in fact, not far short of 200 per cent. But it is fair to bear in mind that there is one important item which ought to be deducted; I mean the item of corn; because the extraordinary necessities of France, from the failure of the last harvest, led to a demand for corn from this country to supply the French market, that was quite exceptional. In general, our exports of corn

to France are altogether insignificant, but in these six months they have risen to a value of between 800,000*l.* and 900,000*l.* But after deducting the article of corn, in order to get a fair comparison, what may be called the real increase in the exports to France of British produce stands at 3,039,000*l.* There is also, I am glad to say, an increase in the export of Colonial and Foreign produce from this country to France, which adds to the trade of this country, and adds also really, although not immediately, to the exercise of our productive power. When I put together the gross amounts of the exports to France of British, and of Foreign and Colonial produce, I find that in the six months of 1859-60 they amounted to 4,572,000*l.*, and in the same period of 1861-2 to 10,312,000*l.*; showing an increase of 5,740,000*l.*, and giving rise, I will not say to a certainty, I will not even say to a confident expectation, but, at least, to a hope, that the commercial relations between these two great countries, valuable as they are in themselves, and still more valuable as they are the pledges, guarantees, and mainstays of those friendly feelings between England and France which must always be the best security for the general peace and tranquillity of the world—these figures give rise, I say, to a hope that the commerce between these two great countries is at last about to approach a scale something like what nature intended it to be, and something like what it was intended to be by that greatest of all our Peace-Ministers, Mr. Pitt, but as unlike as possible to what the obstinacy, the follies, and the prejudices of other men had made it and had kept it.

Of course, this increase is unequally distributed; and the benefit of it has been felt in some portions of the country more than in others. The most remarkable instance, perhaps, is in the woollen trade, including in

that term worsteds; indeed it would appear as if that trade had been almost called into existence by the change that has taken place; for, whereas our exports of woollens of all kinds to France in the six months of 1859-60 amounted only to 134,000*l.*, in the same months of 1861-2, they have risen to the value of 1,181,000*l.* Perhaps it is a secondary fact which I am now about to mention; but it is neither unsatisfactory nor unimportant, because the more intercourse we have with other countries, the better the feeling that will prevail between us. I am apprised, Sir, by the authorities of the Post Office that there is an average increase from year to year in the number of letters, which pass between this country and France, of about 4 per cent.; but that, since the treaty came into operation, the increase has been 20 per cent. It is not necessary for me, Sir, to reiterate in his presence to the author of this treaty, my hon. Friend the Member for Rochdale, the congratulations which have so repeatedly been paid to him in his absence; for the history of that transaction, I may venture now to say, is written once for all in the history of the world.

Now, Sir, it has been material for the Government to consider what would be the fate of any proposal they might make, if they should determine to make one in the present circumstances, for increased taxation. Suppose now, that the Government were to ask the House to give them, instead of a mere equal balance, or little better, a surplus of half a million or a million of money. And in many respects it would, without doubt, be desirable that they should have such a surplus. But I should like to know, what probability there would be of their succeeding in any such proposition. Nay, even suppose that we were in actual possession of a surplus, and that we did not need to ask the House to make one for

us ; suppose that we had had a surplus actually in hand ; what probability would there have been of our keeping it ? I think I need not go far back for an illustration of this question. One glance, passing no farther backwards than forty-eight hours by the clock, will suffice to demonstrate the truth of what I say. For within that limit of time, a majority of this House, wholly unaware whether there would be a surplus revenue or not, sanctioned by their votes, in opposition to the strong appeal of the Government, a Bill for the abolition of a portion of an important existing tax. Sorry am I to reflect that, in these circumstances, the only security for a Chancellor of the Exchequer lies in his utter destitution ;

“Cantabit vacuus coram latrone viator.”

If he does not possess a surplus, you cannot take it from him ; or, according to an old proverb current in the northern portion of this Kingdom, which I will translate for fear of offending Scottish ears by a defective accent, “It is difficult to deprive a Highlander of that particular garment, which he does not wear.” Now, Sir, what is, perhaps, more material, and what certainly touches upon deeper topics, is this. I have already referred to the one threatening and ominous circumstance in our position—namely, the deficient, the increasingly deficient, supply of cotton. No surplus, that we could hope to obtain, or even venture to ask the House to give us, would enable us to encounter the evils that may arise from a further and greater deprivation of that supply ; and therefore if, on account of the prospect of that deficiency, we were now to make a demand upon Parliament, even should we succeed in obtaining that demand, we still could not feel the slightest confidence that we had really secured an ade-

quate provision for the losses that might be, that may be, impending over the treasury of the State. Considering therefore that, on the one side, if that cause of difficulty be removed, we have not the slightest reason to despond or to fear concerning the ample sufficiency of our means for the year; and considering, on the other hand, that any provision which we could in propriety, nay in decency, ask the House to make, might fail to meet the contingencies which connect themselves with that one particular difficulty; Her Majesty's Government have come to the conclusion that it is not their duty, in the circumstances of the present juncture, to ask the House to impose any new taxes. At the same time, in the event of a great change, and a great aggravation during the year of a pressure which is now still tolerable, they reserve to themselves a full discretion to consider in what mode it may be right to meet the exigencies of the public service, according to the circumstances, as they may then present themselves.

There are other reasons to which I shall presently advert, but which I shall pass by for the moment, which lead me to the same conclusion. In the mean time I may observe, that the years through which we have been recently passing have, in point of fact, been peculiar and exceptional years. It has been impossible to regard them as subject to the ordinary financial conditions, or to deal with them altogether on the usual footing. In years of war, which are recognised as years of war, you do not think of the balance of your revenue and expenditure; but you get what revenue you can, and you contract large loans to meet the overruling exigencies of the public service. And in years of peace, which fully answer the description of years of peace, you expect, on the other hand, to have, and if finance is prudently conducted, you will usually have, a consider-

able surplus of revenue available for the reduction of the public debt, and leading the way to a diminution of taxation. But between such years of peace, on the one hand, and such years of war on the other, each fully and precisely so described, there are certain intermediate years, in which you have war in remote quarters of the globe, and in which you may still warrantably and wisely struggle to avoid the necessity of going into the money-market for loans, though the national expenditure is almost too heavy to be met entirely by taxation. That is the category to which the present year, and the three years last past, belong; and at times in these years it has seemed to us to be desirable to contend as vigorously and as long as we could against the necessity of borrowing, even though we may not have been able in every case so much as to hope that we might present to the House such a balance-sheet, or such a prospect of a surplus revenue, as, in ordinary circumstances of expenditure and of prosperity, it is considered, and justly considered, to be the duty of the Government from year to year to maintain.

I have said thus much about the imposition of taxes. Is there any one who will, on the other hand, put the question, whether there is to be a remission of taxes? It is quite plain, that there can be no remission of taxes upon the figures which I have laid before the House; that is, no remission by new legislation, although, in virtue of the legislation of last year, the burdens of the present year will be lighter by about 800,000*l.* or 900,000*l.*, in respect of paper duty and income tax, than they were in 1861-2. There can be no new remission of taxes; and yet at the same time it is necessary that I should refer to various demands, which have been made upon the Government; because, as we live in a country where happily it is free to all men to urge

their particular claims, so the right and convenient course is, that these claims should be brought into the face of day and discussed in the free Parliament of England, in order that, whether we give or whether we withhold, whether we act or whether we refuse to act, we may do so under the full cognizance of our countrymen, and under all the circumstances and conditions of free discussion and of perfect publicity, which carries with it the constant assurance of fair play.

Now, various changes have been demanded from the Government. They form that kind of residue of questions to which I adverted at the commencement of my statement, as usually remaining after periods of active legislation in matters of finance, and which may, perhaps, be compared to the swell upon the sea when the tempest has subsided. It is urged, for example, by those who are interested in the distilling trade, that the very high duty upon spirits should be reduced. It is urged, by a certain portion of those connected with the sugar trade, that the duties upon sugar should be altered; I do not now speak of a general reduction, but of an alteration in the details of the existing scale, and a new adjustment of the duty. Again, it has been lately urged by those who are engaged in that most useful occupation of making malt, that we should give back to the maltsters a portion of the credits, which in two successive years we withdrew. It is, moreover, pressed by those connected with the export trade of the country that we should remove from that trade the minor charges upon imports and exports, which were imposed, as matter of financial necessity, two years ago. It is urged by those who are connected with the wine trade that we should make some alteration in the system established in 1860; and, besides some minor changes, it is also urged, with great perseverance, from

year to year, that the duty upon hops should be reduced.

I shall refer to these various topics, if the Committee will permit me ; but in the first place I will dispose of what I would describe as the minor changes which we propose to make in our fiscal laws. I hope, in the first place, the Committee will not think it a very serious matter that we propose to reduce the duty upon playing cards from 1s. to 3*d.* per pack. This change is not at all with a view to extended consumption ; the object is to obtain the duty, and to put an end to a system of evasion, which it is totally impossible to stop, as long as the duty continues at its present rate and in its present form. Then we propose a change in the inventory duty in Scotland, which corresponds with the probate duty of England. There is at present a peculiarity in the law, under which it appears that if a person residing in England or Ireland owes money upon bond to a Scotchman, and if the *locus* of the bond happens at the time of death to be in Scotland, no inventory duty is payable upon it. That is an anomaly which ought to be removed. We propose, again, to apply to foreign and colonial bonds and loans of all descriptions the moderate charge of one-eighth per cent., which is at present generally applicable to loans raised in this country for English purposes ; and which is also chargeable upon loans raised by the Government of India. The Committee will perceive that this is not a very important measure financially ; but it is, in point of fact, a corollary to the measure, by which we removed from foreign bills of exchange the exemption, which they had long enjoyed to the manifest prejudice of British bills of exchange. Foreign bills of exchange now pay, as nearly as may be, the same charge as British bills ; and we propose to place foreign loans,

if contracted here, upon the same footing as loans contracted in England for English or Indian purposes. I have no doubt that this change will commend itself to the approval of the Committee. The only other change we propose is one of no great fiscal importance, but which is rather important as a question of policy. We are given to understand that it is desirable, by means of a supplemental licence, to permit publicans to supply their commodities at various public gatherings, for which there is now no legal provision. Such a measure will at once put a stop to the vexatious proceedings of the informer, and bring the publicans under the regular cognizance of the police; and we propose, therefore, to allow them to take out a supplemental licence, for a period limited to three days; that we may thus give the trade at those places a regular character, and subject it to the same controul as in other cases.

With respect to the spirit duty, that is a fiscal, and likewise a social, question of very great interest and importance. I have stated to the House the results for the last twelve months, and those results, as they appear upon the gross figures given, I admit to be but partially satisfactory. I estimated, with a liberal allowance for the effect of heightened price, that we should receive 10,000,000*l.* of revenue from British spirits. We have only got about 9,600,000*l.* It is true that there is an increase of 359,000*l.* upon the previous year; but even this is not so large an increase as we thought we might receive. Now, Sir, the serious question is, from what cause has this revenue fallen short? Is it from illicit distillation, or is it from an alteration in public taste, or is it from a diminished power of consumption? If it were from illicit distillation, I think the wisest and easiest course would be for the Government to propose a return to a lower rate of

duty. But if it arises from altered tastes, or if it is mainly due to diminished power of consumption, we have no cause to retrace any of our steps. Now, all such evidence as is before us—absolute demonstrative evidence it is hardly possible to obtain—but all the evidence before us shows, as far as it goes, that this diminished consumption arises not from an increase of illicit distillation, but, in the main, from a diminished power of consumption, from the temporary and local prevalence of distress; combined, however, in some degree, both with high price and with the increased and increasing sobriety of the people. I will endeavour to illustrate this proposition in the best and simplest manner I can. If the partial failure of the spirit revenue arise from diminished power of consumption, it is manifest, under the circumstances which I before described, that the failure will be most visible in the latter part of the year through which we have just passed; because the pressure upon the people, undoubtedly, has undergone a great increase in the latter part of the year. Now, how does the case stand? It stands thus:—In the first quarter of the financial year, we had an increase upon the spirit duty of 218,000*l.*, which was perfectly satisfactory. In the second and the third quarters we had increases of 118,000*l.* and 147,000*l.* respectively, showing a comparative tendency to give way. But in the fourth quarter there was an actual decrease of 101,000*l.*; so that the progressive slackening of the revenue exactly corresponds with what we believe to be the increasing pressure upon the consuming power of a considerable portion of the population. With a like view, let us now look at the several divisions of the United Kingdom. The pressure of distress has been much less in Scotland than in England; and Scotland gave us a revenue in 1860 of

2,754,000*l.*, but in 1861-2 of 3,065,000*l.*, from British Spirits. In like manner Ireland in 1860-1 yielded 2,269,000*l.*, and in 1861-2 2,461,000*l.* Both of these returns in a fiscal sense would be perfectly satisfactory, but England, on the contrary, shows no increase whatever; for, having yielded in 1860-1 a revenue of 4,462,000*l.*, it produced in 1861-2 only 4,442,000*l.* Now it will be obvious, that if illicit distillation were the cause, it would be more in Scotland than in England, and more in Ireland than either, that such a cause would operate. Whereas, on the contrary, even in Ireland—which is the dangerous and weak point of any system of high spirit duties—we have had an increase from spirit revenue which is, all things considered, perfectly sufficient. It is, indeed, quite true that at a certain period of the year—I mean during the last months of 1861—there was a considerable increase in the number of prosecutions and convictions for illicit distillation in Ireland; but the constabulary authorities assure us, that this symptom was only temporary, and that an effectual stop has now been put to their growth. I will not trouble the Committee with the details, but that is the clear upshot of their report, and it is also the clear deduction from the figures, which show a positive increase of consumption in Ireland. Now, with respect to the effect of distress upon this consumption. I have endeavoured to obtain such information as could be had by inquiry from the manufacturing districts. I learn that in Liverpool, where there has been considerable distress connected with the slackness of the cotton trade, and which probably supplies to a considerable extent the country behind it, a certain number of rectifiers—six large rectifiers, who sent out in 1861, under the increased duty, 429,000 gallons, this year only sent out 321,000 gallons; a de-

crease of 25 per cent. In London a very large rectifying house, which has an immense connection in the manufacturing districts, sent out in 1861 853,000 gallons, but in 1862 sent out only 645,000 gallons; showing a decrease of 25 per cent. Nay, I am able to state that the real decrease is much larger; because the London portion of their trade has materially increased, while an aggregate decrease of 25 per cent. on their entire trade is produced by the diminished power of consumption in the manufacturing districts. Under these circumstances, it appears to us plain that it would be a palpable error, if we were to feel the slightest doubt or hesitation in maintaining the spirit duty at the present rate.

With respect to the duties on sugar, that is a question into which I need not now minutely enter. The Committee is aware that in old times, when we were wholly dependent on West Indian sugar, the modes of production were somewhat rude and nearly uniform, and the range of differences in the intrinsic value of that colonial sugar was not very great. There were, of course, differences; but they were on the whole within certain moderate limits. It was, at any rate, then found perfectly practicable to levy one single rate of duty on all descriptions of unrefined sugar; and one other rate of duty on sugar when refined. But as soon as a freer trade in sugar was established, and when a stimulus had been given by the introduction, in various places, of improved machinery, it soon came about that we had to deal with every possible variety of quality and value in unrefined sugar. About the year 1846, I think, it was found necessary to have two rates of duty for unrefined sugar instead of one; and in the year 1853, when I was Chancellor of the Exchequer, with the aid of our lamented friend Mr. Wilson, I introduced a further

modification into the law, and established a system, under which there are three rates of duty on unrefined sugar. This is done by classification; and of course, like all classifications for the purposes of Customs' duty, our scale is, to a certain extent, unequal in its operation. It appears to bear with not inconsiderable hardship on certain qualities of sugar, which happen to come near the dividing lines; and, in the neighbourhood of those points, the difference of duty sometimes absorbs, or more than absorbs, the difference in price. On this account, a certain portion of the sugar growers, more particularly those interested in the Mauritius and the East Indies, demand of us that we should abolish this difference. But we are encountered by a variety of other interests and claims. We have the growers of the Mauritius and the East Indies acting from one point of the compass, the West Indian growers from a second point, the refiners from a third; and the interest of the consumers may be found to stand more or less apart from any one of these. The West Indian growers are perfectly satisfied, and are protesting parties against any change; and I venture to say they have on principle much to urge in support of their protest. The refiners are equally a protesting party against a change; and these parties urge that the revenue thrives under the present system, and that the consumer obtains a supply increasing from year to year. The conclusion, therefore, which I draw is this: that, if a change is to be made in this important matter, it must be made after careful deliberation and after a full investigation, in which all interests should be represented. If those who are connected with the Mauritius and the East Indies should call on the Government to give their sanction to an inquiry, by a Committee of this House, for the purpose of ascertaining the operation of the pre-

sent system, to that proposal I should not have a word to object; but it is plain to me, from the statements laid before me within the last fortnight or three weeks—for it is only within that period that any representation has been tendered—that it would be impossible, or, even if possible, yet most improper, for the Government to make any precipitate proposal in regard to a question so complicated, and where such a variety and diversity of interests are concerned. Therefore that subject may, for the present moment, go by.

I am afraid that I must discourse also, but very briefly, of another question—that of the malt credits. The maltsters, or those, at least, who call themselves the maltsters, and who, at any rate, represent a considerable portion of the trade, demand that the law should give them six weeks' longer credit for the payment of the duty than they now have allowed to them. I really must say that this is a question, which ought to have been urged for consideration at the time when the former credit was first withdrawn. Whatever disadvantage was to arise from the withdrawal of that credit was just as plain when it was done, as it can possibly be now. Further, the members of this trade are divided upon it among themselves. A portion of them wish us to restore it, and a portion of them say it is better that it should remain as it is. The maltster, it is true, labours under some peculiar disadvantages. The manufacture of the article is confined to within seven or eight months in the year; whereas the consumption is spread, with more approach to equality, over twelve months, and it follows that at certain periods the maltster must have a larger stock in hand than suits him. But, on the other hand, he has a compensation in the fact that he has an average credit from the Government all the year round of from nine to ten weeks after the malt is charged. That, I

think, is in the nature of a compensation all the year round for the particular inconvenience, which at a particular season of the year he undergoes. My hon. Friend the Member for Hertford shakes his head; the Hertford maltsters, I know, have been very active in pressing for this extension of credit; but if I could only see the representatives of other malting interests—if I could catch the eye, for instance, of my hon. Friend the Member for Newark—he, I know, would encourage me with a nod of assent as emphatic, at least, as the nod of dissent I have just received from the hon. Member for Hertford. There is another practical mode of putting the question, which for the time may, perhaps, be thought of itself conclusive. To restore the six weeks' credit to the maltster would be to deprive the revenue for the coming year of the sum of 1,300,000*l.*; and I apprehend the Committee would not give its countenance to the Government in making any proposal of a nature which would have that effect.

In like manner, I shall be brief with regard to what are called the minor charges. The penny levied upon imports into this country is a charge respecting which I feel, that it entails on the trade of the country an amount of labour greater than is fairly commensurate with the fiscal benefit derived from the impost. I think there is no claim upon the Exchequer—when once it is in a condition to yield to any claim—which ought to take precedence of the claim which may be made for the repeal of this charge. But this charge, together with the charge of 1*s.* 6*d.* on bills of lading, amounts to 182,000*l.*: of this sum the penny inwards produces about three-fourths; and with the accounts which I have presented to you—which only leave us a surplus of 150,000*l.*—I need hardly say it is not our intention to propose the repeal of this charge on the present occasion.

With regard to the charge made, not on imports, but upon exports, in the shape of an imposition of a duty of 1s. 6d. on bills of lading, I must state at once what I have explained at former times, that the question is not so much fiscal, as statistical. The authorities of the Revenue Department declare it to be the result of their experience, as it was their original expectation, that great advantage has resulted to the statistics of our trade from the imposition of that charge, by the means it gives of obtaining most valuable and, comparatively at least, most accurate information. But here, again, I must say that if there be a desire, as far as that charge is concerned, that there should be an inquiry into its operation, though I do not know that a Committee of this House would be the best organ for such an inquiry, on account of the extremely technical character of the subject, yet I think an organ of inquiry could easily be devised, composed partly of representatives of the Executive Government, and partly of some gentlemen of high commercial standing in this House, whose assistance I do not doubt could easily be procured. On the part of the Government, I should be perfectly willing that an impartial examination should be made into the charge, and into the amount of statistical as well as fiscal benefit obtained, compared with the trouble which that benefit entails.

Thus far I have stated cases, in which we do not make a financial or legislative proposal; but the next point, which I shall mention to the Committee, is one with regard to which I do not feel any difficulty. I have done now with those matters on which I propose no change; and I have next to propose some changes which, as the Committee will see, are not without importance, though, of course, after the description I have given of the state of the account, it will be readily believed that

they are not of much fiscal importance. That which I have first to mention is a modification of the existing scale of duties on Wine.

And here, Sir, I may begin by stating that, according to the conviction of the Government and the experience of the Revenue Department, the difficulty of introducing a fundamental alteration into our system of wine duties by allowing what may be called natural wines—though, of course, I use the word only in a popular sense as distinct from highly brandied wines—to enter into our market at a low rate of duty—by which I mean one shilling per gallon—has been in substance solved by the introduction of what is called “the alcoholic test.” And, from the experience we have obtained, I have no doubt that the alcoholic test will continue to supply a permanent and satisfactory basis for the administration of our system of wine duties. The proof of this is to be found in a very few figures. I take the mean deliveries, and the mean revenue from wine, in the last two years under the old system, and compare them with the new. This comparison is, in fact, unfair to the new system, because in one of what I have called the two last years of the old system are included two months just following the date when a 3s. duty had just been established; and when, consequently, there was a rush of wine into the market. Therefore the new system may be supposed to stand in reality somewhat better, than it would seem to do by the comparison I am about to make. With this preface, I proceed to state that the mean deliveries during the last two years of the old system, 1858-9 and 1859-60, were 6,552,000 gallons, and the mean revenue derived from wine amounted to 1,697,000*l*. The actual deliveries during the last financial year, 1861-2, were 9,732,000 gallons. Those figures are not precisely accurate, because a day or two at the end of the year has been taken

by estimate only ; but they are substantially accurate, and they show an increase of 3,180,000 gallons, or about 50 per cent. I think that fact is conclusive as to the following points : that a great stimulus has been given to the trade in wine ; that increased facility of access to that valuable commodity has been afforded to the people ; and that an immense extension has been imparted, in a short time, to the branch of commerce which depends upon that article. When, on the other hand, we look at the fiscal effects, we find that, whereas the mean revenue of the last two years of the old system was 1,697,000*l.*, the revenue of the first complete year under the new system was 1,105,000*l.* That is to say, there has been a decrease of 592,000*l.* ; but the estimated loss was 890,000*l.*, so that the real loss is very much less than the loss as it was estimated beforehand. But, while I consider that the general results are entirely satisfactory, that state of facts does not absolve me from the duty of also considering, whether the application of the scale of duties is not capable of being materially improved in detail. What we want under a system of this kind is to attain, as far as possible, the greatest simplicity of operation ; the most extended application we can manage to secure of the low duty of 1*s.* to what I have called natural wines ; and, finally, one other most material object, the effectual protection of the great revenue of 12,000,000*l.* which we derive from British and imported spirits. Those are the objects which we must be careful not to compromise ; and the question is, what changes can be introduced into the system, compatibly with a due and full regard to them.

• In the last autumn, with a view to the solution of this question, we dispatched several intelligent officers of the Department of Customs to the wine-growing countries of Europe ; to France, Switzerland, Germany, Hungary,

the Peninsula, Italy, and Sicily. The object was to ascertain, as far as possible, the most material facts as regards the natural strength of wine, in those places where it is produced at its greatest natural strength. When I speak of natural wine, I mean wine with only so much spirit added as is necessary to make it a merchantable commodity for the general markets of the world; and the distinction which I draw between that and another class—a highly brandied wine—is that, in the latter class, considerable quantities of spirits are added to certain wine to produce peculiar qualities, principally for the purpose of adapting it to the English market. I do not wish to speak of those strong wines with any disrespect. Brandied though they be, the makers have generally, or at least often, succeeded in producing a very excellent compound. But as it is an essential part of the new system to protect the spirit revenue, and as, indeed, it is no more than common justice to defend our distillers against an unfair and indirect competition, it is absolutely necessary to impose a higher duty upon these highly brandied wines, containing a much larger quantity of spirit, than we impose upon the weaker or natural wines. The result of the inquiries, which we directed to be made in the countries I have named, is rather curious and interesting. The information to be had from the trade in this country, though, as far as it went, it was doubtless of first-rate accuracy, was confined within somewhat narrow limits; it was, naturally enough, restricted to the few wines usually brought into this country, and to the few districts where those wines have been grown. We obtained, in the course of our inquiries in every quarter respecting the strongest wines in their natural state, about one hundred and twenty-five carefully selected samples. Of those one hundred and twenty-five samples, one hundred and three were below twenty-six

degrees of alcoholic strength; twenty-two only were above twenty-six degrees of strength; and out of the twenty-two, no fewer than fifteen belonged to Spain; and I have no doubt, as regards those fifteen, that they do not so much represent the natural strength of the wine at the time when it was first made, as the strength attained by some considerable period of keeping, because it may be within the knowledge of the Committee that white wines are said to gain in alcoholic strength by keeping, while red wines are also said to lose. Under those circumstances it appears, that twenty-six degrees of alcoholic strength is a proper point of division, and marks out the limit where, upon the whole, we may safely distinguish between the two classes of stronger and weaker wines. And this proposition is illustrated in a remarkable manner by the recent experience of our fiscal system as to the admission of wine into this country at the several degrees of strength. The entries at the several strengths since the scale of duties was established, have been as follows:—

Degrees of alcoholic strength.								Gallons.
Between 17 and 18	..	..	..	..	..	..	..	918,000
„ 18 „ 19	..	..	..	..	..	..	..	467,000
„ 23 „ 24	..	..	..	..	..	..	..	48,000
„ 24 „ 25	..	..	..	..	..	..	..	30,000
„ 25 „ 26	..	..	..	..	..	..	..	48,000
„ 26 „ 27	..	..	..	..	..	..	..	52,000
„ 27 „ 28	..	..	..	..	..	..	..	147,000
„ 28 „ 29	..	..	..	..	..	..	..	171,000
„ 29 „ 30	..	..	..	..	..	..	..	344,000
„ 34 „ 35	..	..	..	..	..	..	..	2,225,000
„ 35 „ 36	..	..	..	..	..	..	..	2,019,000
„ 36 „ 37	..	..	..	..	..	..	..	2,373,000

Thus it will be observed that about twenty-six degrees we find the *minimum* of imports, while almost exactly from that point upwards there is a large and growingly rapid increase in the quantities admitted. The result of this state of facts is that, by taking our division of

duty at twenty-six degrees of alcoholic strength, we shall attain these several objects; we shall admit at a shilling duty almost everything which can be properly called natural wine; and we shall insure the power of abolishing the practical application of the test in a very large number of instances, because the great proportion of the stronger wine which will be offered will at once be offered by the parties at the highest duty, and it being thus offered at the highest duty, we shall not be obliged to apply the test; although it must be distinctly understood that we shall still require the samples, which can be given with perfect facility; and that we shall retain and exercise the power to apply the test whenever there may be ground to deem it requisite.

The particulars of the plan, which we propose to adopt under these circumstances, are as follows. At present there are four rates of wine duty. Under an alcoholic strength of eighteen degrees wines pay 1s.; from eighteen degrees to twenty-six, 1s. 9d.; from twenty-six degrees to forty, 2s. 5d.; from forty degrees to forty-five, 2s. 11d. Wines above forty-five degrees of strength cannot be entered. I propose to reduce the four rates to two. I propose to admit at a duty of one shilling all wine up to twenty-six degrees of strength. There we draw the great dividing line. From twenty-six degrees up to forty-two I propose to place the duty at 2s. 6d.; and above forty-two, where we have really attained the limit, aye the very farthest limit, beyond which we may fairly say that no legitimate wine is introduced, I shall ask the Committee to impose a virtually prohibitory duty of 3d. for every additional degree of alcoholic strength. That will be the nature of the Wine Duties Resolution which I shall propose, and the financial result of it will be as follows:—By carrying the 1s. duty up to twenty-six degrees the revenue will lose

20,749*l.*; but by the additional penny, that is by the rate of 2*s.* 6*d.* instead of 1*s.* 9*d.* and 2*s.* 5*d.* per gallon, upon wines above twenty-six degrees, it will gain 36,458*l.* Of course I propose that bottled wines shall pay the same rate of duty, as wines between twenty-six and forty-two degrees of alcoholic strength. The total net gain will be a small sum of about 15,800*l.* That is the proposal which I shall have to make with respect to the wine duties; and I feel the greatest confidence that it is a proposal affording a combination of advantages such as it is seldom in the power of fiscal legislation to attain; for it is a change which is advantageous to revenue, which is highly beneficial to the public, and at the same time which is eminently acceptable to the great body of the very intelligent and able men who are engaged in carrying on the wine trade.

The only other subject, which I mentioned just now under the head of changes either proposed or to be adopted, is the subject of the hop duties. My hon. Friend the Member for Sussex (Mr. Dodson), who with so much ability has led so many campaigns—followed, I must say, by a gallant army, which he has proved himself on all occasions well worthy to command—against successive Chancellors of the Exchequer, has not this year anticipated the Budget by pressing his Motion on the House. But, at the same time, I apprehend it is a safe opinion to give, that if the Government were at the proper time found to have said and done nothing upon the subject, it would not be very long before we should have heard some note of assault from the same, or from some other quarter. The case against the hop duties is, I think, very much exaggerated, and naturally so, by those who plead the cause of the hop-growers. But I have never denied, that there is a considerable amount of strength in their claim. I recognise the

force of arguments founded upon the unequal amount of the duty in different districts; the severity of competition with foreign hops, brought upon a trade which had been the child, the darling child, of protection and monopoly; the aggravation, through the operation of the duty, of an uncertainty as to season and as to price, which must always be in itself and from natural causes, extremely great; and the anomaly, in some degree, of imposing an excise upon the growth of a raw material, that too being one which is of old standing and extensive cultivation in the country. And, lastly, I must admit the great evil, on principle, of committing to the Executive Government what has been forced on them from time to time in this matter; I mean, the decision on constant applications for postponement of payment. I find myself from time to time discharging functions more fitting for the Home Secretary—I mean more akin to his function of advising Her Majesty upon the exercise of the prerogative of grace and mercy, than to mine; because on the one hand it is absolutely necessary for the revenue departments to look for regular payment of the duty, and, on the other, I am ever and anon besieged with applications for the remission of legal proceedings, which, as well as I can, I have to take into consideration. But that is not a description of public duty, which it is desirable to place in the hands of any Chancellor of the Exchequer.

Another argument which my hon. Friend, the Member for Sussex, is fond of urging, is founded upon the uncertainty of the amount receivable by the Exchequer from year to year. Now, this is inconvenient, as far as it goes; but if we do not get the amount one year, we get it the next, and, considering the large scale of the revenue accounts and balances, we do not suffer from that cause as much inconvenience as is supposed.

Again, Sir, I must in candour admit, that the opinion of this House has been shown on many occasions to be one eminently favourable to the removal of this duty, if it could by any means be effected. We feel, as it is our duty to feel, every desire to respect the opinion of the House of Commons, especially with regard to the remission of a tax, whenever circumstances place it in our power to show our respect for that opinion, not by venting hollow professions and mere high-sounding and empty phrases, but by measures in their nature practical, and not injurious to any weighty interest of the State. But the Committee must have been convinced, by the forcible though noiseless eloquence of the figures which I have already submitted to them, that we have no means in hand which will enable us to remit the hop duty; that is to say, we stand in immediate need of the money it produces. With a surplus already entirely nominal, a surplus, taken at the outside, of not more than 150,000*l.*, we cannot part with the proceeds of a duty which, even at the reduced rate, yields us, between Customs and Excise, 300,000*l.* a year on the average. [Sir JOHN SHELLEY dissented.] I beg my hon. Friend's pardon; but even in the year just concluded, though a year of marked failure, the duty produced not less than 260,000*l.*; namely, 150,000*l.* from Excise, and 110,000*l.* from Customs. I am naturally unprepared, having regard to the slenderness of the surplus, to part with the proceeds even of a duty which produces 260,000*l.*; but the question arises, how far it may be possible to substitute, with equity to all parties, some other form of impost, by way of commutation, which would substantially secure to the revenue the bulk of the money it now receives, while it might constitute a relief to the growers from the payment of the duty, and might likewise entirely set free the foreign

trade, as well as the British trade, in hops. That is no easy matter ; but I wish to state to the Committee, in the most distinct and unmistakeable terms, that we have before us but one option. Let us commute the duty if we can ; but if we cannot commute it, we have no option but to keep it, unless we mean to rush with our eyes open into a manifest deficiency. *Aut Cæsar, aut nihil* ; it is a case either of commutation, or of standing as we are.

I will now communicate to the Committee the proposal which we think it is our duty to put forward, and which may, I hope, meet with the approval of the Committee. But, in order to make it intelligible, I must refer for a moment to another subject, not immediately connected with the hop duty. That subject is, the anomalous state of the present scale of charges for brewers' licences. As it now stands, the charge for brewers' licences is arranged on an ascending scale ; but the ascending scale is adjusted in a manner which, on the slightest inspection, will be seen to be eminently burdensome to the small tradesmen, and not only in favour, but in favour, I must say, beyond all bounds, of the larger. If a brewer brews for sale less than twenty barrels of beer, he pays 10s. 6d. for his licence ; and that licence imposes on his twenty barrels of beer a tax of 6½d. a barrel. If he brews fifty barrels, his licence costs 1l. 1s., or a tax per barrel of 5½d. ; and if he brews one hundred barrels, his licence is 1l. 11s. 6d., and that sum is a tax of 3¾d. per barrel. But if he brews one thousand barrels, he pays for his licence 2l. 2s. : and so, instead of being taxed at the rate of 6½d. or even of 3¾d. a barrel, he is only taxed at the rate of a halfpenny per barrel. If he brews eighty thousand barrels, he pays 78l. 15s., being only a farthing a barrel ; and if his brewing operations go beyond all

recognised limits, so that he mounts up to three hundred thousand barrels, he only pays one quarter of a farthing. That is a state of things, with respect to which common justice and fairness call on us to make, or at any rate, warrant and justify us in making, an alteration.

Now, Sir, what we propose as an admissible and on the whole advisable commutation for the hop duty, in the present circumstances of the revenue of the country, is contained under the following heads. That we should readjust the scale of brewers' licences on the principle of including in them generally an equivalent, or nearly an equivalent, to the charge in respect to the present hop duty, from which they will be released. The scale would be adjusted so as, in the first place, to relieve the small brewer as compared with the larger one, he being now hardly dealt with, by putting on him an additional sum considerably less than the *minimum* of hop duty paid by him in the price of his hops. But, speaking generally, the payment in each degree would have for its general basis the imposition on brewers, in respect of each barrel of beer, of the sum of 3*d.*, as an equivalent for the hop duty, from which duty the article they purchase will be released. Those, who have examined the technical details of this trade, are aware that, while 3*d.* represents the duty payable on 2 lbs. of hops, 2 lbs. of hops is the smallest quantity which, so far as I am able to ascertain, is ever used with two bushels of malt; and these quantities of malt and hops respectively may be taken as the quantities used in each barrel of beer, containing 36 gallons. Threepence per barrel of beer, in the form of hop duty, is accordingly the *minimum*, which the brewer now pays; but he pays it as an element in the price of his hops; and that *minimum* we propose henceforward to charge in the shape of licence duty, but with a certain mitigation, so far as

regards the lower portion of the scale. In the cases where, in lieu of 3*d.*, which I take to be the *minimum* duty actually though indirectly paid, a greater amount of hop duty is now paid by the brewer—as for example, when, in the manufacture of that incomparable and most wholesome article which we term bitter beer, he uses more, perhaps even very greatly more, than 2 lbs. of hops to the barrel of beer—the difference must, of course, be borne in the shape of a loss to the revenue.

By such means, then, as I have now summarily described, we shall get, not quite the whole amount of the tax, but by far the greater part of it; and while we place on a solid footing, as I hope, a branch of revenue which has heretofore been perpetually in question, we shall establish at the same time a perfectly free trade in British and in foreign hops. Lest, however, any one should think, that this must be hard on the brewers, I must observe that beyond all doubt the brewer, who may be said to be the sole consumer of hops, has already received a very great boon from the changes in the law which have some time ago taken effect. We lowered the hop duty, by an Act of 1860, from 20*s.* to 14*s.* per cwt. Whatever may be thought of that reduction as a boon to the growers, it was, beyond all doubt, an important boon to the brewers. But we did much more than that on their behalf, for we admitted the foreign article on the same footing as the British. There is not the smallest doubt that, a thoroughly active and effectual competition has been established; for, whereas the Excise duty on the article of hops for the last year amounted to 150,000*l.*, the Customs duty reached a sum of no less than 110,000*l.*, being more than two-fifths of the whole of the duty on hops taken for consumption in this country. There are few, indeed, if any, of the articles in our tariff list with respect to which, on the establishment of an open trade, the

foreigner has obtained, even in a year of scarcity, so large a share of the British market. No doubt the brewers will enjoy, though not, perhaps, at the very first moment, the whole further benefit of that abolition of the hop duty which we now propose. Under a perfectly free competition, the amount of a duty must go to the man who buys, and not to him who produces. To illustrate this I might, if it were necessary, refer to the evidence taken before the Committee in 1857, where one of the most competent witnesses—the hon. Member for Derby (Mr. Bass)—stated explicitly, in answer to a question, that which is a sound principle alike of political economy and of common sense. He said that there could be no doubt whatever that in the long run the consumer would have the full benefit of the reduction of duty, and by the consumer he evidently in this case means the brewer. There is also another boon which in this way we are enabled to give to the brewers. I will proceed to explain a hardship, under which they at present labour. The brewer makes an article in which hops and malt, on both of which there is an Excise duty, are included; and, on exporting his beer, he receives a drawback compensating him for the malt duty, but not for the hop duty. We propose to add 3*d.* per barrel to the amount of drawback on the export of beer, in order for the first time to compensate the exporting brewer for the duty on the hops entering into the composition of his beer.

In the new scale of brewers' licences, we propose, in respect to a brewer under twenty barrels, to add to the price only 2*s.*, or about 1½*d.* (the hop duty being 3*d.*) per barrel; under fifty barrels the addition to the licence would be a similar sum of 1½*d.* per barrel. When we come to one hundred barrels, we propose to charge for the licence 2*l.*; from one hundred to one thousand barrels the charge will be 15*s.* for every fifty barrels; one

thousand to fifty thousand, 14s. for every fifty barrels ; from and above fifty thousand, 12s. 6d. for every fifty barrels. The general principle, therefore, of our proposal is an addition of 3d. per barrel to the brewer's licence, that sum being the *minimum* of hop duty he now pays. It is, however, as I had better repeat, qualified by these two considerations. First, as regards the lower portion of the scale, that we have thought it right to propose, considering the anomalous condition in which we find it, a considerably smaller addition than 3d. ; and that, in the second place, we have somewhat reduced, with respect to the upper portion of the scale, the additional sum to be imposed, in order to maintain the principle that we shall not impose on the brewer a larger amount than he now pays in the aggregate, partly for his brewer's licence, and further for the whole of the hop duty included in the hops he purchases.

There is one other point which is material, and which I must mention. It refers to the date at which this proposal is to come into operation. If the Committee does not approve the plan of commutation which I have just sketched, we must, of course, remain as we are, and commit the hop question, with others, to the contingencies and vicissitudes of future years ; but if, upon the contrary, you accept our plan when we submit it in the shape of a preliminary Resolution, imposing the new scale of duty on brewers' licences, then we shall propose, in the Bill we shall subsequently have to introduce, a clause to repeal the Customs and Excise duties on hops. That repeal we propose should take effect from the 15th of next September, by which time the greater portion of the hops now in the country will, we calculate, have passed into consumption. If any of the holders of these hops are not satisfied to retain them, and sell them in open market after the duty is abolished, of course

we cannot object to their exporting them in the mean time, under the powers they now possess, with a drawback, to foreign markets; we shall, however, ask the House to make provision that no hops thus exported on drawback shall be reimported for consumption, during the six months following the repeal of the duty, except upon payment of a sum equal to that duty; and further I have to state that we do not think this is a case, in which either public expediency or justice to individuals calls upon us to admit the principle of being bound to give anything in the nature of a drawback on the stock in hand; the commodity we are dealing with being a commodity produced, and in the main passing off, from year to year; and a considerable time, moreover, being allowed before the repeal of the duty is to take effect.

There is yet one other point to which, although it is a matter of detail, I wish to advert. I allude to the mode in which we propose to deal with private brewing. It would not, I think, be quite just to the regular brewer, who is to be called upon to make an equivalent payment in respect of the remitted hop duty, that the private brewer, the brewer for his own use, should be allowed to go scot-free. On the other hand, to institute minute investigations in connection with domestic operations of this kind would, I feel, be extremely obnoxious. I need not say we desire to do justice as far as we can. What, therefore, under the circumstances, we propose to Parliament is, in the first place, to exempt from the necessity of being carried on under licence all private brewing carried on by the labouring classes, or by very small farmers; we consider that we should not, in short, call upon any person to take out such a licence, who lives in a house, not being a farmhouse, of less than 20*l.* annual value, or, if a farmhouse, situated on a farm of which the rent is less than 150*l.* If, however, a person

occupying a house above 20*l.* in value, or being a farmer paying above 150*l.* rent, should brew privately, then we must call upon him to take out a licence. But we propose that such licence shall be uniform in amount; because to make any distinctions in the amount in such cases would be scarcely worth while, and would, we think, be open to serious exception, owing to the necessity which might in consequence be created of instituting an inquisition into domestic and indoor arrangements. What we propose, therefore, is that every person inhabiting a house or farm, of the value and under the conditions I have mentioned, should be bound, if he intends to brew, to take out a licence—as a man is now bound to take out a licence to shoot, if he intends to shoot—and that he should pay for that licence the sum of 12*s.* 6*d.* [*Laughter.*] I do not understand why the mention of the particular sum of 12*s.* 6*d.* should have so magical an effect in exciting the risible muscles of some hon. gentlemen; but if it should appear to be the universal opinion of the Committee that that is too small an amount, they may readily suppose that the Government will not hastily decide on closing the door against its increase.

According to such calculations as we are able to make, the financial effect of the proposed plan would be as follows:—I have stated that the average receipts from the Excise duty on hops, taking a period of ten years, and reckoned upon a duty of 14*s.* per cwt., were 250,000*l.* per annum; the average receipts from the Customs duty, if similarly reckoned at 15*s.*, the rate now payable, have been about 30,000*l.*; and the amount derived from brewers' licences on the present scale is about 70,000*l.*; making a total of 350,000*l.* The cost, however, of collecting the present hop duty is 5000*l.* per annum; and therefore the real product of the three duties—the Customs

and the Excise duties on hops, together with the income derived from brewers' licences—as paid into the Exchequer, on an average of ten years, must be taken to be 345,000*l.* The brewers' licence, on the other hand, on the scale on which we propose to place it, together with the licence to be taken out by private brewers, will, we anticipate, yield a sum of 300,000*l.* annually, so that there would be a loss to the revenue, under these circumstances, of 45,000*l.*; while a further sum—I do not think it would be a very large one, but the amount cannot be defined by estimate—would have to be paid in the shape of drawback on such an extra exportation of hops as may take place between this time and the 15th of September, when the present duty would cease and determine. That sum would, as well as the 45,000*l.* I have named, be so much deducted from the small or nominal surplus at present exhibited on the balance-sheet.

Sir, I have now occupied the Committee for a lengthened time in going through the more minute details immediately connected with the operations of the present year; and I trust I have been enabled to place hon. Members clearly in possession of the views of the Government, and of the proposals which we desire to make. I feel, at the same time, that the prominent features appearing on the face of my statement are these: in the first place, that we have announced an intention to commence the year without a real surplus of revenue over expenditure; and, in the second place, that we have recently been passing through a period and a condition of finance, which must be regarded as in many respects exceptional. I have for the last half-hour been dealing with matters which are extremely dry and technical, except in the eyes of those who for particular reasons take an interest in them: but I will

now, with the permission of the Committee, call their attention to questions of larger concern, and to a more comprehensive view of our position. I wish to do this, because I am anxious the Committee should understand that, when we propose to them to proceed during the year that we have just begun without an evident and considerable surplus of revenue, it is because we think such a course, upon the whole, adapted to the present state of our Revenue and Expenditure, upon the express and distinct ground that that state is in many respects a state wholly exceptional. The better to accomplish the purpose which I have in view, I would ask the Committee to recollect what has already taken place; to bear in mind that the last two or three years have been years both of important financial changes, and of an expenditure never before maintained in this country in what we term a time of peace. With reference to this subject, I am anxious to give the Committee, if they will allow me, a view as comprehensive in its outline, and as impartial in its character, as it is in my power to present, of the financial results, if I may so call them, of the last three years taken together. For when we come into circumstances of difficulty such as have recently beset us, when we have been called upon not only to maintain vast establishments in deference either to the wants, or to the feelings of the nation, or to both, but likewise to meet very considerable charges of an extraordinary character; and when, as the result of these operations taken from time to time in obedience to immediate necessity, there has twice ensued a deficiency in the revenue at the end of the year, it is, I think, most important that the facts of such a period should be gathered into a focus for the inspection of the House of Commons; that we should take stock, if I may use the homely phrase, of our condition, and ascertain with precision how we stand; for nothing

can be of so much advantage to us as information derived from experience, in order to enable us to determine the course which it may be our duty for the future to pursue.

Now, Sir, an impression prevails that the public expenditure of the country is growing. That, I am glad to say, is not true at the moment when I speak. I have, indeed, already shown that the expenditure of last year was very considerably less than that of the year which preceded it. Let me now compare the expenditure of the year last past with the estimated expenditure of the year which has just begun. The actual expenditure for 1861-2 was 70,838,000*l.* The estimated expenditure for 1862-3 is 70,040,000*l.*, showing an apparent estimated decrease of 798,000*l.* That, however, is not the whole decrease, for we have charges included in the estimate of expenditure for the coming year, amounting to 920,000*l.*, which have never appeared in our accounts before the present occasion; and which forms nominally, but not really, a portion of the expenditure of the country, inasmuch as it is balanced on the other side by an equivalent receipt. If, therefore, you wish to institute a fair comparison between the estimated expenditure of the year before us and the actual expenditure of last year, you must take both as follows:—Actual expenditure for 1861-2, 70,838,000*l.*; estimated expenditure for 1862-3, 69,120,000*l.*, showing a total estimated diminution of expenditure to the extent of 1,718,000*l.* Now, I have been anxious to say thus much, because although I deemed it to be my duty to make the Committee fully aware of the liabilities which it might be incurring, and of the vast scale of our expenses, yet I thought it but just to make you likewise aware that we seem to have established at all events the commencement of some downward movement in our expenditure.

While, however, I do not hesitate to make this statement, I am bound also to say that the present high level of our expenditure is still such a level, as ought to attract the serious and careful consideration of the House. It is a higher level than can be borne by the people, even in their present state, with comfort and satisfaction. It has been borne with exemplary patience; but it is too high to be borne with comfort. It is plainly higher than is compatible with perfect health and soundness in a financial point of view; for, if it were compatible with perfect health and soundness, I should now be asking you to let me begin the year with a sensible surplus, and not with a barely equalized income and expenditure. Whether there is a fault chargeable on any one in the state of things which I am describing, and to whom that fault belongs, are matters which it is entirely unnecessary at the present moment to examine. But, as to the causes, I take them to be the following. In the first place, the greatness of our expenditure is due in some considerable degree to the growth of the real permanent wants of the country: of wants, which it is desirable to supply, and to which if you were to deny fitting satisfaction, you would be doing great public mischief. In the second place, it has been due to apprehensions prevailing with respect to the security of the country, and to a natural anxiety to make full provision for placing that security beyond doubt. In the third place, it is impossible that there should not be some description of relation between the state of establishments and of expenditure in other countries generally, and the state of establishments, and of expenditure, in this country. In the fourth place—and this is the point to which of all I am most anxious to call the attention of the Committee—it is due to special demands, which are in substance, and in everything except the name, war

demands, demands of such extent as to give them great significance, and lying altogether and entirely outside of the ordinary demands and exigencies of the public service.

The two last points are matters upon which I wish to make a few remarks. With respect to the state of establishments and expenditure abroad, I do not know whether hon. Members, in their perusal of the journals, and in their observation of the condition of other countries, have fully comprehended what a race the Governments of the world are running, and at what a fearful pace, outside of England, national obligations, in other words national deficits and national debts, are now in course of accumulation. It would be invidious to mention a particular country, if it were not that nearly all countries are in the same predicament; at least nearly all the great countries of the world. The fact is, indeed, that the only flourishing Budget I have recently seen—the only Budget showing a considerable surplus, at least upon paper, in a prospective estimate of the revenue and charge for the coming year—is the Budget of the Ottoman Empire. If we look to other countries, the circumstances are really most remarkable and significant, considering that the period is not one of general war. Look at the great and magnificent country of France, with resources perfectly equal to the discharge of any obligations, and the enduring of any burdens. France, in the last twenty years, has added more than 250,000,000*l.* to her debt. If we put down 70,000,000*l.* of that large amount for war expenditure in Italy and in the war of the Crimea, there is still the sum of 180,000,000*l.* which cannot be ascribable to either of these causes. Austria has added to her debt a sum short of that which France has added, but not very far short, amounting probably to 200,000,000*l.*; and

while this augmentation is absolutely less than the addition made in France, yet it is really even greater than that addition, if estimated with reference to the comparative wealth, resources, and finance, of the two countries. Italy of necessity labours, at this epoch of her reconstruction, under heavy financial deficits. Russia has added to her debt, in consequence of the Crimean war and otherwise, to a very large amount, which I am not able to state, but I have no doubt it may be moderately taken at 100,000,000*l*. If we look at the year 1861, or—as the financial years of the several nations do not always coincide—if we look at the financial year which was current in each country at the close of 1861, I believe it may be asserted with perfect truth that that single financial year added to the State debts of the great countries of the world, without including the smaller ones, a sum not less than, and probably exceeding, 200,000,000*l*. Of course, America stands for a large portion of that sum, but very large additions have also been made in France, Austria, Italy, Russia; and smaller ones in other minor countries. This is not a matter, I admit, which will afford a justification for any folly of ours. It is of secondary moment in our discussions; but still it is of considerable weight and interest. We do not deserve any sort of credit for not having made a similar addition to our debt. We have sown our wild oats long ago. The state of this country with reference to its disposition to bear taxation has long warned and admonished us, for all time coming, that pranks like these, here at least, must not be played by legislatures or by statesmen.

But let us now look at what we have actually been about during the last few years. As it has been my fortune in two successive years to present to the Committee an account showing a deficiency of income as

compared with expenditure, so I wish to bring fully and clearly into view the peculiar character of the expenditure we have had to bear during those years, and of the means we have used for defraying it. In the first place, it will be interesting to the Committee that I should explain what has been, up to the present time, the cost of the China war. The Votes of Credit taken for China up to the present time amount to 5,206,000*l.*, but we have not as yet expended the whole of these Votes. The sums we have actually expended are as follow :— In 1859-60, 850,000*l.*; in 1860-1, 2,600,000*l.*, besides 444,000*l.* which belonged to a former war, and therefore formed no part of the cost of the late war; and in 1861-2, 1,230,000*l.*, a sum, I may add, considerably larger than, until within the last few weeks, I had any reason to anticipate. It thus appears that, on account of the Votes of Credit, we have spent 4,680,000*l.*; but that large amount does not by any means represent the whole charge of the war. The navy has expended for China, out of its ordinary grants, as nearly as can be estimated by the Admiralty, 2,000,000*l.* The army charges against China only 300,000*l.* out of its ordinary grants, but then it is fair to say that the principle adopted by the Department in the computation is as follows. Supposing that Department to have 5,000 or 10,000 men in China, it has only charged the extra expence of these men, and has not entertained the question whether, if the men had not been in China, it would have been necessary to keep them on the establishment, or whether a reduction of the total force might not have been practicable. It may be assumed, therefore, that the account I am presenting is materially less than the real charge. The loss on exchange has been in all, I believe, not less than 340,000*l.* If we add these items together, we find

that the expense to March 31, 1862, has been 7,320,000*l.*, which, after deducting the amount of indemnity actually received, namely, the sum of 266,000*l.*, leaves 7,054,000*l.* as representing, so far as we can come at it, the net charge of the war. The probable addition to our debit for 1862-3 will be not less than 500,000*l.*, making the total 7,554,000*l.*; which, I trust, will be the end, strictly speaking, of the charge for the China war.

Let me now present the subject to the Committee more at large. Gathering together the transactions of the last three years, I will state the amount, which in those years we have had to defray, of what may fairly be called war expenditure. The account for China up to March 31, 1862, as I have just stated, is 7,054,000*l.*; but, in addition, we have had to pay for a former war 444,000*l.*, making a total, in round numbers, of 7,500,000*l.* With respect to New Zealand, we have only brought to charge at present 250,000*l.*, but that does not include any consideration of the question how far the 5,000 or 6,000 men who have been in New Zealand would have been kept on the establishment of the army, if not wanted for service there. I ought likewise to state that the sum I have named is only what we have both paid and brought to account, up to March 31, 1862; and I am bound to add it does not cover the whole even of the direct charge for war expenditure in New Zealand. Again, the dispatch of troops to British North America in the past winter disturbed the finance of the year; though it alike answered the necessity of the case and the feeling of the country. It added to our charge the sum of 850,000*l.* Hence, the total of the direct war charge we have incurred in the last three years is 8,600,000*l.*; even when estimated upon a principle which I think undoubtedly places it below its real amount.

Sir, I now wish to bring into one view the real extent of our transactions, on both sides of the account, during the last three years, with respect to extraordinary charges and extraordinary resources; because, if we have had a great deal of extraordinary charge to bear, we have likewise used a considerable amount of extraordinary resources to meet the demand, and it is only when we see the bearing of the one upon the other, that we can either estimate the financial history of the period, or judge fairly of our resources and our prospects in future years.

I shall first give the figures which appear to be necessary for conveying full information on the subject, and then I shall state to the Committee what I think is their general result. The total public debt of the country, funded and unfunded, on March 31, 1859, was 805,078,000*l.*; on March 31, 1862, it was 800,757,000*l.*, showing a difference of 4,321,000*l.* in our favour. The total annual charge of the debt on March 31, 1859, was 28,170,000*l.*; on March 31, 1862, it was 26,043,000*l.*, making a difference of 2,127,000*l.* in our favour. That difference, however, is due to the lapse of the Long Annuities, which terminated in 1860. Then there are the public balances. The public balances on March 31, 1859, were 7,789,000*l.*; on March 31, 1862, they were 5,288,000*l.*, showing a reduction of 2,501,000*l.*; in other words, we have applied out of the public balances thus far a sum of 2,501,000*l.* towards meeting expenditure. The debt on account of extraordinary fortifications, up to March 31, 1862, for these three years, is 1,170,000*l.*: the whole residue of what was granted by Parliament in 1860, or 830,000*l.*, remains yet to be expended. That debt is created in the form of an annual charge, but I have estimated it, for the convenience of the Committee, by the amount of the

capital we have raised. Again, Sir, we have taken up two malt credits; and the produce of this head of extraordinary resources, which were applied to meet extraordinary charges, was 1,972,000*l*. On the hop credit I need not dwell; because at the time when it was taken up the crops were so defective that the proceeds of two years were not equal to the average of one. We further obtained from Spain a payment of 500,000*l*. And there is yet another item that must be taken into view; I mean the item of what are termed, in our public cash accounts, Advances and Repayments. These advances for public works are made from time to time by the proper authorities under an established legislative machinery; and they go, within certain limits and conditions, out of the Exchequer from quarter to quarter; while the repayments, in like manner, come back into the Exchequer from quarter to quarter. When they have thus returned, they simply form part and parcel of the Consolidated Fund, and become applicable, like all other monies standing to the credit of that Fund, to meet all legal demands upon it. Now, the amount of repayments during the last three years has exceeded the amount of advances by 1,554,000*l*., the advances being 3,364,000*l*. and the repayments 4,918,000*l*.; and that excess, therefore, has been a further addition to the extraordinary resources, or monies not dependent on the taxes of the year, which we have consumed during these last three years.

Next, Sir, I am anxious at this point to remove a misapprehension. There is an impression gone abroad in some quarters, that we have been guilty of a very unwise and excessive squandering of public revenue by the repealing of taxes; that a great number of taxes have been repealed, to an amount much exceeding those which have been imposed; and that this is the

cause, which has made us so poor at the present moment. I therefore wish to give the Committee roughly, as it needs must be, but as well as the nature of the case admits, the balance of the taxes imposed and repealed since 1859. First comes the income tax. In 1859 the income tax was virtually 6*d.* in the pound—that is, it was for one half of the year at 7*d.*, and for the other half at 5*d.*, which yielded, at the mean, a 6*d.* duty for the year. It is now 9*d.* Each penny per pound produces about 1,100,000*l.* We have therefore imposed under the head of income tax 3,300,000*l.* We have imposed on spirits an additional tax which may be taken at 1,400,000*l.*, and in various minor duties about 650,000*l.*—making a total, in taxes imposed, of 5,350,000*l.* Then I come to the taxes reduced. The taxes reduced in the Customs Department may be taken at 2,840,000*l.* In the Excise Department and Assessed Taxes—between paper, hops, and some minor duties—we have reduced 1,460,000*l.* The taxes reduced, then, have been 4,300,000*l.* The taxes imposed have been, as I stated, 5,350,000*l.*; so that we have imposed, in fact, these three years 1,050,000*l.** of annual taxes over and above those we have reduced. I do not at this moment defend the policy which has been pursued; my object is simply to state the facts.

Now, let me endeavour to present in very few words to the Committee the balance of these various operations. I make a debtor and creditor account. I take credit, on the one hand, for the war charges we have defrayed, and for the debt we have redeemed. I debit myself, on the other hand, with the whole of the extraordinary resources we have consumed; and I cannot say how important it is, with a view to the future, that

* This is an approximation only; and might perhaps be reducible to between 700,000*l.* and 800,000*l.*—*Note in 1863.*

the Committee should have the matter of the account clearly in its mind, because these extraordinary resources are at an end. They exist no longer. I hardly know where to find any more of their kind; except it be in the China indemnity, which will come in, I hope, to a certain extent, sensible, but limited, after the present year. It is, I say, most material to have these things in full and clear view, in order to consider with effect what is to be our position for the future. First I take the debit side of the account. The extraordinary resources consumed within the last three years stand thus: amount taken from the balances, 2,500,000*l.*; excess of Re-payments over Advances, 1,554,000*l.* Technically, it would be more accurate to put these two together, for in reality there is no distinction; but I separate them for the information of the Committee. Further, there are the malt credits, 1,972,000*l.*; Spanish payment, 500,000*l.*; in all, a total of 6,526,000*l.* of extraordinary resources applied in aid of our charges during the last three years. Now, I credit myself with the charges we have met and the balance of debt we have redeemed. The extra war charges amount to 8,600,000*l.* The debt redeemed is 4,321,000*l.*, the debt created 1,170,000*l.*, and the balance, or excess of debt redeemed, is 3,151,000*l.* Added to the war charges, the total I am entitled to put down to the credit side is therefore 11,751,000*l.* Of that 11,751,000*l.* 6,526,000*l.* has been met by the total, as already stated, of extraordinary resources; and the balance, 5,221,000*l.*, has been levied from the people, who have, it must be remembered, likewise been sustaining, from the proceeds of the taxes, establishments of unusual magnitude.

Such, Sir, is the state of the case; and when I think of those extensive changes in taxation, that have been

accomplished in these years and at other recent periods, perhaps I may be permitted, by way of relieving a monotonous discussion, and for the purpose of illustrating a yet more important subject, to quote an author, whose very name gives life and animation to every topic on which he wrote; I mean Mr. Sydney Smith; one who, in a rare, perhaps in an almost unequalled degree, seasoned his wisdom with wit, and exalted his wit with wisdom. He placed on record, forty-two years ago, a passage that enables us in some degree to judge of the immense transition we have effected, with regard to our fiscal and commercial system. In 1820 Mr. Sydney Smith wrote an article in the 'Edinburgh Review,' since published in his collected works. In that article he warned our American brethren of what would happen to them if, for the sake of glory, they should be induced to rush into costly and protracted war. And certainly, when we compare his warning, to the very letter, with what is now passing—when we look to the very items and clauses of that Tax Bill, which in some of its stages, I do not exactly know which, is, or is supposed to be now under the consideration of Congress, a more remarkable prediction can hardly be conceived. I must not quote the whole passage, for it is too long; but the general spirit and purport of it is this; that he warns America, by pointing to the then state of England. He says—

“ We can inform Jonathan what are the inevitable consequences of being too fond of glory,—taxes upon every article which enters into the mouth, or covers the back, or is placed under the foot; . . . taxes on everything on the earth and the waters under the earth—on everything that comes from abroad or is grown at home—taxes on the raw material—taxes on every fresh value that is added to it by the industry of man—taxes on the sauce which pampers man's appetite, and the drug that restores him to health—on the ermine which decorates the judge

and the rope that hangs the criminal—on the poor man's salt and the rich man's spice—on the brass nails of the coffin, and the ribands of the bride.”

I believe that that passage, which told the literal truth as to England at that moment, is, if what we now read be true, about to be verified in a country hitherto almost, if not wholly, exempt from any internal tax for the purposes of its general government. Let us now see how far that passage, so just, so vivid, and so accurate at the time when it was written, applies to our present state. There were then written on our statute-book taxes on the raw material; now there are, as I may say, no taxes on raw material. There were taxes on every fresh value added to it by the industry of man; now there are no taxes on the fresh value added to it, in any branch of production, by the industry of man. There were taxes on the sauce which pampers man's appetite; now there is no tax on sauce, and man may pamper his appetite as he pleases. There were taxes on the drug that restored him to health; now there is no tax on drugs, and he may get well as quickly as he can. There were taxes on the ermine which decorates the judge; now that ermine is free. There were taxes on the rope which hangs the criminal; now that rope is free. There were taxes on the poor man's salt; now that salt is free. There were taxes on the rich man's spice; now that spice is free. There were taxes on the brass nails of the coffin; now those brass nails are free. There were taxes on the ribands of the bride, and let her wind up the procession; her ribands, also, now are free. Such have been the changes effected in our indirect and protective taxation; changes which, in setting free our industry, have left our revenue from Customs and Excise actually larger, than it was at the time when we began the process of abolition and reduction.

Let us see, then, lastly, what has been the condition of the revenue during the last three years, and how far it illustrates the policy which has aimed at giving it elasticity and reproductive power. As respects Customs revenue, we parted in 1860 with 2,420,000*l.* more than the amount which was laid on; but the deficit of Customs revenue in consequence of these reductions is at present only 743,000*l.*; so that out of 2,420,000*l.*, we have in two years recovered 1,677,000*l.* That, I think, is a satisfactory result, if we take the very trying circumstances of the country into account; but if we make our comparison upon the revenue of two periods as a whole, it stands as follows; and these are the last figures with which I shall trouble the Committee:—The revenue of 1858-9 was 63,920,000*l.* The estimated revenue for 1862-3 (after deducting 1,125,000*l.*, with a view to a just comparison, for items that did not appear at all on the other side of the account in 1858-9) is 69,065,000*l.* Of that there is certainly, I think, not more than 1,050,000*l.* due to new taxes. I therefore deduct that amount; and I find that from those sources of revenue, which were in operation in 1858-9, we have derived 68,015,000*l.* That is to say, the revenue of the country, fairly and pretty accurately compared, in a great degree under the effect of remissions of duty, as I think judiciously made, has risen, without extension of the sources, from 63,920,000*l.* to 68,015,000*l.*, or by a sum of 4,095,000*l.* in four years: or, in other words, the figures demonstrate an annual average improvement in the revenue, apart from any change in taxation, of upwards of 1,000,000*l.* I do not pretend to say that such results can be reproduced at pleasure. I do not believe it is in our power to repeat these operations indefinitely. I am convinced it would be a gross and most dangerous mistake to generalise the principle, that whatever taxes

you choose to reduce, you will draw from the reduction equal benefits. The reduction of any tax is without doubt more or less beneficial to those who pay it; but the fact that the revenue has not decreased, notwithstanding the large remissions that have been made in some taxes, is, I think, attributable to the fact that the particular taxes, which have been selected for abolition or reduction, were taxes peculiarly injurious and obstructive.

Now, Sir, I have endeavoured to bring to the mind of the Committee clearly these facts; we have been passing through exceptional years; we have got through them in a manner which has provided for the public demands, besides sustaining the weight of a high rate of general charge; and we have avoided going into the market for loans. This is the bright side of the case. But; on the other side, in order to provide for all this charge, we have exhausted what I may call our casual resources. They remain no longer. If you look into the future, and ask yourself how provision is to be made for it, you must make your reckoning without them. It is most material that you should keep this truth in view. Bad harvests, distress in the country, great complications abroad, may bring upon us the evil of fresh taxation, or the far worse evil of fresh loans. On the other hand, good harvests, favourable circumstances at home and abroad, may carry us level even with our present expenditure. With favourable circumstances, our revenue will maintain itself, and will do more than maintain itself. But we should not be always counting upon favourable circumstances. One word more, and it is the last word that I will speak to the Committee. What I have to say, in concluding a general review of our finance, is this; if we really hope to effect remissions of taxation, those remissions are not to be had, compatibly

with maintaining the financial credit of the country, except by the cautious, the judicious and gradual, but yet the resolute, application, to all the departments of our public service, of the principles of a true and strict economy.

The course, Sir, which I propose to take to-night, is this; to move at once the Resolutions on the wine duties, without meaning to pledge any member of the Committee, in any way, to a final judgment; but, inasmuch as the new duties ought to be levied to-morrow morning, I think it necessary to submit those Resolutions without delay. I propose also on the part of the Government to go on, as early as possible, with those other measures upon which—if I am right in presuming so—no great amount of difference of opinion is likely to exist. It will be necessary to have a Resolution for the renewal of Exchequer bonds; 1,000,000*l.* of which will fall due in May. That Resolution I propose to take on Monday; and on Monday, likewise, the Resolutions on the Income Tax. My hon. Friend the Member for Buckingham (Mr. Hubbard) has given notice of some Motion relating to the reconstruction of the Income Tax; but I am sure he will perceive, that it would be impossible to mix up questions involving the general reconstruction of the tax with the re-enactment of a law, which has reference simply to making provision for the public service during a single year. At all events, if he should consider it his duty to fasten his plan for the reconstruction of the schedules of the Income Tax upon the present proposal of the Government, then, however much as a salaried officer I might be obliged to him for the handsome present he would make to me if his scheme were adopted, it would be my duty to resist it. But I think I can trust my hon. Friend's judgment and good sense to permit the necessary provision for the year to go

forward without interruption. There will, of course, Sir, be a Resolution for the renewal of the tea and sugar duties during the year; and there will be three Resolutions relating to occasional licences, to playing cards, and to foreign loans. All these Resolutions, if time permits, I propose to move on Monday. With regard to the three Resolutions relating to brewers' licences, as they may require a little longer time for consideration, I propose to take them on Thursday; and when the Resolutions have passed, to bring in a Bill to give effect to the whole of them. With these observations, which have been greatly protracted, but have been protracted with the sincere desire to give the best information and make the clearest exposition in my power to the Committee, I beg to place, Sir, the Resolutions in your hand.

FINANCIAL STATEMENT OF 1863.

DELIVERED ON THURSDAY, APRIL 16, 1863.

The House having resolved itself into a Committee of Ways and Means,

The CHANCELLOR of the EXCHEQUER rose and said,—

SIR,—The causes, which have during recent years attracted an unusual degree of interest to the annual financial statement, are not of such a nature that any well-advised lover of his country should desire their operation to be permanent. They may be summed up in the following words. The few years, which have last passed, have been years of unusual pressure upon the resources of the country ; and have been, as times of unusual pressure must be, years likewise of unusual anxiety. During the course of the last Session of Parliament, that anxiety found its natural and most legitimate method of expression, in a Resolution of the House of Commons. In the Resolution to which I refer, Her Majesty's Government found it declared by the House, the proper organ of the sense of the country, especially upon such a subject, that while it was the desire of the House that—I am not now quoting the words, but referring to the spirit of the Resolution—that ample provision should be made for the honour and security of the country, and for the efficiency of the public service, it was likewise the fixed opinion of the House, that the burden of taxation was inconveniently heavy,

and that efforts ought to be made in that respect by the Executive Government to afford relief to the people. Therefore, Sir, the statement which I have now to submit is not merely a statement of the annual Account and Estimate of Receipt and Expenditure for the past and coming years respectively ; but it is likewise, I will presume to say, the answer of the Government to a formal, a deliberate, and, I believe I may add, an unanimous Resolution of the House of Commons.

And, Sir, it is well the people should understand—what, at the time I refer to, Her Majesty's Government, by the mouth of my noble friend the First Lord of the Treasury, fully acknowledged—that that Resolution was not premature, but, on the contrary, was well founded, and was fully justified by the circumstances of the case. It is well they should understand how rapid, how peculiar, I will venture to say, how exceptional had been, up to a certain epoch, the growth of the public expenditure, and how much it was to be desired, indeed, how needful it had become, in the interests of the nation, that the subject should attract a particular attention. Now, I will advert first to the expenditure of the financial year, 1859, the first year subsequent to the Russian war, the accounts of which were not extensively affected by war charges. The expenditure of that year very considerably exceeded the scale of our expenditure before the war ; it amounted to 64,664,000*l.* : but in the very next year, 1859-60, the expenditure increased to 69,502,000*l.*, showing an augmentation of 4,838,000*l.* In the year 1860-61, the amount again rose, and came to 72,842,000*l.* ; showing an augmentation within two years of no less than 8,178,000*l.* I will next refer to the average of the four years from 1859 to 1863 ; and I take these four years, because they are the years to which the general description of large disburse-

ments peculiarly apply. The average charge of these years was 71,195,000*l.*, if we include the amount laid out upon fortifications; and 70,678,000*l.* if that item be excluded. This increase upon the aggregate public charge is in reality even larger than it seems; because it occurred at a time when we had enjoyed a peculiar relief, amounting to more than two millions of money, from the charge of the National Debt, owing to the lapse of the Long Annuities.

It may perhaps be useful in bringing this statement, and the condition of things which it is intended to illustrate, more clearly and fully to the mind of the Committee, if, instead of simply comparing the aggregate expenditure of the country at two periods, I now compare only that portion of the expenditure, which may be said to be matter of choice on the part of the Legislature. For, Sir, it is plain that a large portion of the public charge does not lie practically, in the main, within the discretion of Parliament from year to year. We have no option at all as to providing the monies necessary for the payment of the dividends on the National Debt. We allow ourselves but little more liberty with respect to the sums, applicable to the discharge of such other public engagements as are placed upon the Consolidated Fund. A third important item of our expenditure—namely, the charge which we incur in the collection of the revenue—has been regulated by its own fixed and ordinary rules, and has not partaken of the remarkable upward movement to which I have referred. The second of these three items, although nearly invariable, it will be convenient to include in the account I am about to present; but the first and the third will be excluded. With these preliminary explanations, I proceed to state briefly to the Committee what, during the period I am now considering, was the growth of that

part of our expenditure, which may be termed practically optional as to its particular amount; that is to say, of our expenditure after excluding the entire charge of the Debt, and a sum of between four and five millions for the collection of the revenue. In other words, we thus arrive at the basis for a comparison of expenditure, so far as it depends upon the state of opinion here and out of doors, and likewise upon our annual Votes.

This portion of the public charge amounted, in 1858-9, to 31,621,000*l.*; in the year 1860-1, it had risen to 42,125,000*l.* Thus there had been an increase of ten millions and a half, or about 33 per cent., in two years only. If next we make our comparison with the year which immediately preceded the Russian war, the result is yet more remarkable, not to say more startling. In the year 1853-4, the optional part of the expenditure of the country—the Committee will understand my meaning in the phrase—was 23,511,000*l.*; in the year 1861 it was, as I have said, 42,125,000*l.*: thus the increase, in this period of no more than seven years, was 18,614,000*l.*, or more than 80 per cent. Such, Sir, was the state of facts which attracted, and deservedly attracted, the particular notice of the House of Commons during the last Session of Parliament.

Let it not be supposed, Sir, that in adverting to these facts I mean to leave room for the inference that the increase I have named was a causeless increase. Its causes exist, and are well known; indeed, they are subject, I believe, to little controversy or dispute. There were extensive and costly transformations of arms and vessels, which appeared to be required by the progress of military or naval science. There was a great advance of philanthropic views in regard to the condition of our seamen and our soldiers. This advance, this improved state of public sentiment, led to a great and

somewhat sudden expenditure, but to an expenditure grudged, I believe, by none—at least, as to the principle on which it rested. There was, thirdly, a great extension of our military establishments, having reference in no inconsiderable degree—as must always be the case from the sympathy that now prevails between nation and nation—to a like increase in military establishments abroad, and to the general circumstances of Europe. There was further a desire, warmly and very generally, even if not quite unanimously, entertained by the public, that the fixed defences of the country should be strengthened and enlarged. And, yet again, there were in 1860 and 1861 direct war charges, which amounted, as will shortly be seen, to a very large sum of money. All these causes of increase in the public expenditure were definite in their character, and easily traceable in their effects : but I should not do full justice to the elucidation of the case if I failed to add, that together with these causes another cause came into operation, which is less easy to follow and detect, but which is pretty certain to exercise a powerful influence at periods when, from whatever reason, a vast and sudden increase of public expenditure may occur. I mean, Sir, this—that together with the called-for increase of expenditure there grows up what may be termed a spirit of expenditure ; a desire, a tendency prevailing in the country, which, insensibly and unconsciously perhaps, but really, affects the spirit of the people, the spirit of Parliament, the spirit of the public Departments, and perhaps, even the spirit of those, whose duty it is to submit the Estimates to Parliament, and who are most specially and directly responsible for the disbursements of the State. When this spirit of expenditure is in action, we must expect to find some relaxation of the old principles of prudence and rules for

thrift, which direct and require, that whatever service is to be performed for the public should be executed in the most efficient manner, but likewise at the lowest practicable cost.

I do not, Sir, submit this statement, as a confession of misconduct on the part of the Government. All I have to say on the part of the Government, and it may be said without reproach to any other body, or any other power, is this: I do not think that, in proposing to Parliament the outlay of these vast sums, the advisers of the Crown have outrun in the smallest degree the general state of public feeling, opinion, and conviction. I think, that if it were necessary, it could be proved from the chronicles of the times, and perhaps, in particular, from the records of this House, that on many occasions their proposals, instead of having outrun the demands of opinion, rather fell somewhat short of what the public sentiment, if it did not even require, would at least have warranted and sustained.

But, apart from discussion as to causes, the effect of all this has been, that the finances of the country have been kept for a period of four years in what may be called a state of tension. I will go one step further: I have spoken thus far without reference to the special part borne by any organ of the State in regard to this expenditure; but I do not hesitate to add the admission that the tension I have described was, for the time, enhanced through the policy which the Government pursued, and which, especially in the year 1860, it induced the House to adopt. We resolved, in the autumn of the year 1859, to treat with France, and once more to contract and simplify the tariff; but the first result of remissions of taxation in a period of high expenditure, warranted though they may have been by their causes and their consequences, was undoubtedly to

produce an increase of the tension which prevailed, and an aggravation of whatever solicitude might have been entertained in regard to the condition of our finances.

Such, then, was the general position of our financial affairs, anterior to the state of circumstances which specially belongs to the subject of to-day. I now come to consider the balance-sheet of the financial year which has just expired. But in submitting that balance-sheet to the Committee, I must beg its Members to bear in mind the peculiar terms which were used in presenting the Estimates of last year; for I do not think it possible to form a just appreciation of the present condition of the country, or of the extent and elasticity of its resources, without taking into view now, as we took them into view twelve months ago, the particular circumstances of the time. The mere figures of the comparison between one year and another invariably require to undergo much careful analysis, before they can become the basis of sound conclusions; and it is especially requisite, at such a juncture as the present, that careful regard should be had to the main circumstances, which determine the commercial and material condition of the nation. Last year, Sir, when I submitted the Estimates of Revenue and Expenditure to the House of Commons, I submitted them, on the part of my colleagues, and speaking their sense, not without particular reserve. We were then only able to present Estimates of Income and Charge such as may be said precisely to have balanced one another; and we were compelled to associate with the presentation of our too nicely-balanced statement a reference to particular causes, which, we thought, it was obvious might disturb, and most seriously disturb, the relation of the two sides of the account. The statement of Receipt and Expenditure for the past year, which we have now to

invite you to consider, is, in my opinion, a remarkable and hopeful statement; but in order to judge whether it is in reality, and how far it is, remarkable and hopeful, it is absolutely necessary to have regard to the specialities by which the state of the country has been marked. I do not now refer simply to the fact, that during the three last years the harvests have in no one instance been equal to an average yield, important as that fact must be held; but I refer to two causes, both of a marked and special nature, and both of which also, as it happened, have been mentioned in the short conversation which preceded the commencement of the principal business of the evening. There is in the first place the condition of Lancashire and of its cotton manufactures. To Lancashire, up to a recent period, every Englishman has been accustomed to refer, if not with pride, yet with satisfaction and with thankfulness, as among the most remarkable, or perhaps as being absolutely the most remarkable, of all the symbols that could be presented to the mind of the power, the progress, and the prosperity of England; and, at the moment when I speak, we can refer to Lancashire more warmly and more thankfully than ever, as regards all the higher aspects of its condition. The lessons concerning it, which within the last twelve months we have learned, have, in one point of view, been painful and even bitter lessons. Yet in other aspects, and in those, too, which most intimately and permanently belong to the future condition and prospects of the country, they have been lessons such as I will venture to say none of us ever hoped to learn; for, however sanguine may have been the anticipation of any one among us with regard to the enduring fortitude and patience of the English people, I do not think any one of us can have estimated that power of endurance, that self-command, that cheerful,

manly resignation, that true magnanimity in humble life, at a point as high as we now see that it has actually reached. But, Sir, notwithstanding, so far as regards the material condition of Lancashire, beyond all doubt, for the time, the tale we have to tell is a melancholy tale. So menacing did we consider the state of the case as it stood twelve months ago, that it was then my duty in presenting the Estimates of that year to state frankly to the Committee that we had before us the prospect of an alarming deficiency in the supply of the great material of labour in Lancashire, and that, if this deficiency should continue throughout that year, we could not presume to hope that our Estimates would at its close be sustained by the results. Nay, so serious did we think the case, that we could not undertake to measure the amount of short-coming which might possibly follow; we therefore considered it to be useless for us at that time to state an estimate of that amount, or to ask the House to make such provisions as might be adequate to meet the calamity; and we thought it better to wait for the teaching of experience, and to deal with the evil when it should arise. Gloomy as were those anticipations, they were anticipations founded on the supposition that the scarcity of cotton might continue at the point which it had then already reached; but what has been the fact? The scarcity has not simply continued at that point; unhappily, it has undergone a great enhancement. I will refer to the trustworthy criterion of prices. In the financial statement of last year, I mentioned to the Committee the prices which had prevailed during the spring of 1862, in the Liverpool market, for those descriptions of American cotton, which are commonly taken as representing the average of the supply from that quarter; namely, the Uplands and the New Or-

leans. Those prices, which in the spring of 1861 had been from 7*d.* to 8*d.* per pound, had risen in the spring of 1862 to between 1*s.* 1*d.* and 1*s.* 2*d.* per pound; and that was the state of things which we regarded as so formidable in its probable results to the revenue of the country. But that price, high as it was, in the course of the ensuing autumn was about doubled; and at this very moment, as I find from the latest quotations, the price of the American cotton required for our manufacture, which in ordinary times is 6*d.* or 7*d.* per pound, stands at 2*s.* and 2*s.* 1*d.* per pound. So that the calamity, which had befallen Lancashire, viewed in its material and commercial aspects, has not only continued at the point it had then reached, but has grown to be far more severe. It has attained, without doubt, to the most afflicting stringency. Partial and temporary mitigations there have been; such mitigations, thank God! we have witnessed during the last few weeks; but they are not of a character which would warrant us in cherishing any sanguine hopes of a great further improvement in the immediate future. We have had, then, one of the wealthiest portions of the country, and perhaps the very wealthiest portion of its labouring population, in a condition of unexampled prostration and of grievous suffering; and the balance-sheet, which I am about to present to the Committee, has been subject to a corresponding amount of disadvantage.

But I also stated, that there was a second special cause of depression. It is one which, up to the present time, has been very partially mentioned in the House of Commons; but one which I think the Committee will agree I could not with propriety pass by in silence on the present occasion. I refer, Sir, to the state of Ireland. I very much doubt whether the attention of the public has been fully awakened to the amount of

calamity, which during the last few years has befallen that portion of the United Kingdom. The depression under which it labours has, without doubt, been partially balanced by the favourable condition of the linen manufacture; neither is it concentrated and driven to an extremity, like the distress in Lancashire, at a particular point on the surface of the country. It is, on the contrary, generally diffused; its extent is as broad as the area of agricultural industry, and it is exclusively connected with the failure of the crops, being therefore of a nature which affords us the hope that, with more favourable seasons it will altogether disappear. It may be a matter of interest to the Committee to receive some information, which Her Majesty's Government have obtained with regard to the extent of that failure, I should rather say of those successive failures, in Ireland, during the last few years. The Irish Government have caused inquiries to be made; and statements have been drawn up, which exhibit in a summary form the principal facts of the case. I need hardly remind English and Scotch Members, that for the purpose of such inquiries in Ireland we have the aid of a highly-organized and elaborate system of agricultural statistics, administered by public authority. I shall avoid all minute detail, and content myself with presenting to the Committee a single statement; but I must first endeavour to convey a clear view of the basis, on which it is founded. The statement embraces the crops of the last three years; 1860, 1861, and 1862. The standard of comparison taken is with the crops of the preceding four years, from 1856 to 1859. Up to 1858, we have the consolation of believing, that the condition of Ireland was one of steady and even of remarkable improvement. In the year 1859, that improvement was seriously checked; still I have taken the four years together,

from 1856 to 1859, as representing what may be called the average and normal condition of Irish agricultural production. The mode of estimating the crops has been as follows. The crops of oats, wheat, and potatoes are taken, as the three principal crops. An attempt is then made to estimate the value of the residue of the chief products of the soil, by ascertaining the number of head of stock in the country from year to year; by valuing them at the price which we know to have ruled for each season respectively; and by assuming that one-third of the total value of the stock, existing in the country at any given period, represented the annual return from stock. This calculation may be nearly correct, or it may be partially incorrect, but at any rate it seems quite sufficient for the purposes of comparison. We have, then, to put together four items; the oat crop, the wheat crop, the potato crop, and one-third of the estimated value of the live stock in the country. The amount of these four items was for each year from 1856 to 1859, on an average, 39,437,000*l.*; in 1860-1 it fell to 34,893,000*l.*, a decrease of 4,544,000*l.*; in 1861-2 there was a further fall to 29,077,000*l.*, a decrease of 10,360,000*l.* In 1862-3, low as was the point previously reached, it descended yet lower, and fell to 27,327,000*l.*, from the former average of 39,437,000*l.*; thus showing a decrease, for the year, of somewhat above twelve millions sterling. This amount equals nearly one-half of the total estimated value of the agricultural products of the country, as measured on the principal items or constituents of agricultural wealth. It falls not very far short of the full amount of the established annual valuation of the country, which is 13,400,000*l.* The state of circumstances thus exhibited is one not less remarkable than painful. It may be assumed, as a general rule, that the first effect of

pressure on the labouring classes is, to tell on the consumption of strong, and especially of spirituous, liquors. We need not, therefore, wonder that under the circumstances I have named the consumption of home-made spirits in Ireland, which in the year 1861-2 had been 2,463,000 gallons, fell in 1862-3 to 2,292,000, showing a decrease of 171,000 gallons.

Undoubtedly, Sir, the operation of these two special causes, the one the cotton famine of Lancashire, and the other the striking failure of the crops in Ireland, has been to deprive the Exchequer of a very large amount of revenue, which under other circumstances it could not have failed to receive. It is not within my power to offer any close estimate of that amount; but I think it is obvious that we must bear circumstances of so unusual a character in mind, when we have to form a judgment on the condition of the revenue of the country during the past financial year. The expenditure of the year, which expired on the 31st of last March, was estimated in the preceding April at 70,040,000*l.*; and provision was made by Parliament for that amount. When the whole business of supply had been brought to a conclusion, the amount had been raised to 70,108,000*l.* Such being the estimated expenditure for the year, the actual expenditure was less by 806,000*l.*, and came to the sum of 69,302,000*l.* There is very little in this portion of the account which calls for observation. Supplementary Estimates, I am happy to say, there have been none; the excesses belonging to former years, and charged against this one, have been insignificant in amount. The expenditure of the Army has been beyond its Votes by about 200,000*l.*: but this excess, as I am informed, is only due to the fact, that the Department is more than usually forward in its payments to the Treasury chest

on account of disbursements abroad, and will in all likelihood disappear on the final settlement of accounts for the year. The issues for the Navy have been considerably within its Votes. The Miscellaneous expenditure shows an excess of issues, reaching about the sum of 200,000*l*. This excess is, I believe, entirely due to the change of system which took effect on the 31st March. At that period, for the first time in our financial history, all the civil Departments were required to surrender the balances standing to their credit; and I presume there is a natural disposition, with Departments as well as individuals, when a certain day is approaching on which a balance must be surrendered, to take care that that balance shall not be larger than they can help.

I now come to compare the expenditure of 1862-3 with the expenditure of the immediately preceding years. This is a matter of considerable interest; and, in order to exhibit it with as much accuracy as possible, I shall take the expenditure of these preceding years respectively, not as it may have chanced to stand on the provisional accounts made up for the 31st of March, but as it stood on the final account, when every charge had been brought home and assigned to the period to which it properly belonged; an adjustment which, as I need hardly observe, must always require time, and cannot be effected on the day when the financial year expires. The expenditure of the year 1862-3 was 69,302,000*l*.; that of the immediately preceding year was 70,838,000*l*.; there was thus a decrease of 1,536,000*l*. The expenditure of 1860-1 was 72,504,000*l*.; there was therefore a decrease in 1862-3, as compared with 1860-1, of 3,202,000*l*. The expenditure of 1859-60 was 70,017,000*l*.; the expenditure of 1862-3 therefore exhibits a decrease, as compared

with 1859-60, of 715,000*l*. But, in point of fact, the decrease of expenditure has been considerably greater, than appears on the face of these figures. The reason is that partly in 1861-2, and especially in 1862-3, there was brought to account on both sides, both as revenue and as charge, a sum of about 1,125,000*l*., which had not appeared at all in the accounts of the preceding years. After correcting, therefore, the statement by the deduction of this sum, the real diminution in the comparative expenditure of last year was as I will now state it. As compared with 1860-1, 2,661,000*l*.; as compared with 1861-2, 4,325,000*l*.; and as compared with 1859-60, 1,840,000*l*.

I come now to the comparison of the expenditure of 1862-3 with the revenue of the year. The amount of the revenue is known to the Committee, as it has been published in the ordinary quarterly Return. It is 70,603,000*l*. There is therefore a surplus of revenue beyond expenditure, amounting to 1,301,000*l*.

The Committee will, however, be anxious to make the comparison, which is always a matter of interest and importance, between the actual out-turn of the revenue, and the estimate which was formed of it beforehand. On the 3rd of April, 1862, I estimated the probable amount of the revenue at 70,190,000*l*. I have already referred to the general reserve I then made with regard to the cotton districts. Independently of that reserve, I also stated that a sum would have to be deducted from the estimated amount of revenue, on account of the drawback on hops, which would be intercepted in its way to the Exchequer, if the House should think fit to adopt the proposition I then suggested for the removal of the duty on that article. Drawback is of two descriptions: there is the drawback on export under the operation of the ordinary

law, and there is the drawback on stocks in hand remaining in the country, which is sometimes accorded by Parliament at an amount agreed on. Neither of these items admitted of nice estimate, and the latter of the two was matter of arrangement, made some time after the financial statement had been delivered. Taking them together, we found reason, last year, to think it probable that they would practically dispose of the small surplus we had presented of 140,000*l*. Subject to this correction, the revenue of the country, as estimated beforehand, was 70,050,000*l*. The actual revenue, as I have stated, was 70,603,000*l*. ; the excess beyond the estimate thus shown, which amounts to 553,000*l*., is, indeed, no very large excess if we consider it absolutely, but constitutes, as I think, a very remarkable result, if we measure it with reference to the peculiar circumstances of depression, which have affected large portions of the country.

And now, Sir, with respect to the particular branches of the revenue. The Customs exhibit an increase of 484,000*l*. This branch of revenue has been variously affected during the closing months of the year—on the one hand, by an opinion which had gone abroad of a probable change in the duties on tea or on sugar, or on both; and on the other hand, by a Bill which I had introduced for altering the duties on tobacco. The expectation of change in the duties on tea and sugar was of course injurious; the effect of the Tobacco Duties Bill was partly to diminish, but partly, and in a somewhat greater degree, to improve the revenue. On the whole, the tendency has been to keep the revenue from Customs somewhat below its legitimate amount, but not, I think, to any material extent.

The revenue from Income Tax produced an excess of 467,000*l*. beyond my estimate. The cause of this

excess is to be found in a new assessment of the property of the country, which has never failed, when from time to time it has occurred, to disclose a very considerable increase in the amount on which payment has to be made. [*A laugh.*] I do not now refer to any increase due to the discovery of malpractices, for I am not aware that they vary much from one year to another; but to an increase occasioned by the progression, with a steady growth, of the wealth of the country.

The amount brought to account for payments from China, in liquidation of the Indemnity, which I estimated at 170,000*l.*, has been 212,000*l.* I might, perhaps, have taken credit even for a larger sum, because there is no doubt that the Treasury chest in China has received, and has applied for the purposes of the public service, further sums of public money since the date of the latest account which has reached us, that date being the 30th of last September. It has, however, been thought best to take no credit beyond the date, up to which we have received the account.

The revenue from Stamps shows an excess of 369,000*l.* beyond the estimate; and the head of Miscellaneous receipt shows a similar excess of 266,000*l.* But there is nothing which requires me to dwell upon these, or upon some other branches of the revenue: I, therefore, pass to one to which I desire to direct the particular attention of the Committee.

The revenue of Excise shows a large deficiency in comparison with my estimate, and likewise some deficiency, though it is not considerable, as compared with the revenue of the previous year. The apparent deficiency, as compared with my original estimate, is 1,185,000*l.* From this sum, however, we have to

deduct the sums paid for hop drawback, which amount, I believe, to 160,000*l*. There still remains, therefore, a deficiency of somewhat over a million in this branch, as compared with the estimate. For practical purposes we may consider this deficiency as divided between the two great articles of malt and spirits. The malt duty, which had been estimated at 5,800,000*l*., produced within the financial year only 5,392,000*l*., showing an apparent deficit of 408,000*l*. In order to comprehend the nature of this deficit, it is necessary to take into view the variation of the seasons. The season of 1861-2 had been not only a very favourable, but a particularly early season. The barley, being in excellent condition, was brought to malting at a very early period; and as the time of receiving the duty depends upon the time when the grain is malted, an unusual proportion of the entire receipt for that season entered into the revenue of the financial year. But the season of 1862-3 was a late season, and in consequence we have received during the financial year a smaller proportion than usual of the entire revenue from malt. In consequence, although the receipt from malt, as I have stated it, falls much short of the estimate, yet the portion of duty from the malting of 1862-3 which is still outstanding, will, as we anticipate, show some improvement upon the revenue of the preceding year. I may, however, observe generally, that the estimate of this important revenue is of necessity more uncertain, now that the payment is more promptly exacted, than it was at the period when very long credit was allowed after the charge had been taken, and when, accordingly, it was known at the period of the financial statement what would be the actual receipt for the coming year. The duty was then, as to the great bulk of it, charged in one year, and received in the year following.

It is now, as to a considerable part of it, both charged and received in the same year.

The revenue from spirits, which was estimated at 10,000,000*l.*, has amounted only to 9,394,000*l.*, showing a deficiency of 606,000*l.* as compared with the Estimate. On this item, together with the former one, I hope the Committee will fix its particular attention. I can feel little surprise, and little disappointment, at the present state of the Revenue derived from malt and from spirits. The deficiency under these two heads of receipt is the true representative of the distress, which weighs upon the labouring class in Lancashire and in Ireland. In all cases of serious pressure upon that class, economy must be effected somewhere, so soon as means and credit are exhausted. No great economy can usually be effected upon the necessities of life; it must therefore be effected upon what we may term either its comforts or its luxuries. Within one of these descriptions stimulating liquors must be held to fall. There is no wonder, I think, that we see a deficiency of a million in the receipt of Excise. The true wonder is, that we do not see much more of corresponding decrease in other branches of the revenue.

I pass, however, to a more particular consideration of the case of the spirit duty; which deservedly attracts a special interest, on account of the very high rate to which the duty has, by successive steps, been raised. The assertion has been confidently made, first, that the revenue expected from the augmentation has not been realized; and secondly, that the failure to receive it has been due to an increase of illicit distillation. My reply is this. It is undoubtedly true, that the whole revenue anticipated from the augmented spirit duty has not been realized, but a considerable part of it has been received; and, without doubt, we must

have received another considerable portion, had it not been for the distress of Lancashire and of Ireland. The total amount of revenue, which we were led to expect from the last augmentation in 1860, was 1,400,000*l.* Of this, 1,000,000*l.*, it was thought, would be from home-made spirits, and 400,000*l.* from foreign and colonial spirits. The latter of these sums, from foreign and colonial spirits, has been received; and the figures I will now give to the Committee with respect to British spirits will, I think, demonstrate, that although we have not received nearly what we expected, we have obtained some part of it. For this purpose it is necessary to take neither the natural nor the financial year with a view to our comparison, but the year ending at the date nearest the time when the new duty was imposed. The new duty was imposed in July 1860. In the year ending June 30, 1860, the receipt from spirit duty appears to have been artificially increased by very large deliveries at the commencement of the year, which took place under a belief that an increase of duty was about to be enacted. I therefore omit the year ending June 30, 1860, and go back to the year ending June 30, 1859—a year, I may add, of general prosperity. With the receipt from spirit duty for that year I will compare the receipt for each of the three years beginning with July 1, 1860. In the year ending 30th June, 1859, the revenue from British spirits amounted to 9,400,000*l.* That was the last year but one of the 8*s.* duty. In the first year of the new duty ending June 30, 1861, it was 9,702,000*l.*; in 1862, it was 9,988,000*l.*; and in 1863, 9,837,000*l.* It would thus appear that, founding the comparison upon this basis, we have received an augmentation of about 400,000*l.* per annum from British spirits, besides 400,000*l.* more from foreign and colonial spirits; and

if this be so, we have, notwithstanding the distress which prevails, received more than half of the revenue which was originally anticipated. I ought not to omit to notice that the figures I have given for the year 1863 are founded upon estimate so far as regards the last quarter of this year, but upon an estimate which may, as we believe, be reasonably relied on.

At the same time, Sir, whatever degree of uncertainty may still hang about the question of fiscal result, the material point after all has always, in the view of the Government, and, I believe, in the view of Parliament, been this—not whether we have failed to receive the whole amount we had anticipated, but whether the failure is due to illicit distillation or is to be ascribed to other causes. This is, as I think, the only question which ought to exercise a practical influence upon the judgment of the Committee. With regard to commodities in general that are consumed by the public, and that are also taxed for the Exchequer, the Legislature proceeds upon the principle that the sum of money, which may be required for the purposes of the State, should be levied from an area of consumption as extended as possible. I am not aware, that we have ever adopted this principle as one applicable to taxation upon ardent spirits. I think the principle of legislation, with respect to spirits, has rather been, that we should raise as much money as we can obtain, but from an area of consumption as small as we can make it; and the only limiting consideration has been, that we ought not to stimulate illicit distillation. The question, therefore, is, whether, owing to the augmentation of the duty upon spirits, illicit distillation has been extended. With regard to that question, I have been careful to welcome information from whatever quarter. From time to time it has been stated to me, either by

persons interested in the trade, or by other persons, that illicit distillation not only prevails, but has been largely increased. I do not doubt the sincerity of these allegations; but it has been found almost universally impossible to obtain facts and details in support of them. On the other hand, it is the firm conviction of those who superintend the collection of the Revenue in the three kingdoms, taken together, that illicit distillation has been, not augmented, but reduced; and, as far as Ireland is concerned, which is a principal point of danger, the evidence to this effect, founded upon Returns, would appear to be quite conclusive. There is no trade within the country, so far as I am aware, of higher intelligence and respectability than that of the distillers; and I think that even their testimony, though I am far from saying that it is uniform, in some degree concurs with the testimony of the revenue officers throughout the country, and sustains me in expressing the opinion, that there has never in recent times been a period when there was so little illicit distillation, as during the last three years. We may, therefore, be reassured with respect to any misgiving on this important head, which the state of the revenue from spirits might at first sight suggest; and it remains a matter of lively interest to draw a comparison between the different effects which have been produced by distress, since no one can doubt that distress has had an important influence upon the revenue from Excise and from Customs respectively. We trace the effect of distress, wholly or partially, in the diminished revenue from malt and spirits. We fail to find any similar diminution in the revenue from tea, from sugar, or from tobacco. The more we examine the figures and the state of facts; the more we observe the comparatively unchecked and prosperous progress

of the revenue from Customs, with the very serious check given to the revenue from Excise; the more, I think, we shall be disposed to embrace a conclusion which appears to me to be established by sufficient evidence, which is without doubt of a gratifying character, and which appears absolutely necessary for a full comprehension of the case. I mean, Sir, the conclusion that a change of habits is slowly and gradually, but steadily, making its way among the mass of the people, and that a transition is taking place from the use of the stronger and more inflammatory beverages, to the milder and more wholesome drinks.

I proceed now, Sir, to compare the general revenue of the year which has last passed with the revenue of the year which immediately preceded it; and I will endeavour, by some analysis of the figures, to present them to the Committee in what I believe to be, for practical purposes, a really accurate form. I need scarcely observe, with reference to the dry and summary statement of Revenue, which is published on the last day of the financial year, that it is quite impossible through the figures themselves to convey the needful explanation of the figures; nor can this explanation be adequately given, except on the authority and under the responsibility of the Executive Government. The public therefore, of necessity remains subject for a time to a good deal of misapprehension with respect to the state of the revenue. One main source of this misapprehension is to be found in those alterations of duties, which take place from time to time, and the effect of which cannot be traced upon the annual statements without much care and much information in detail. Another source of it is in the item called Miscellaneous. It is commonly supposed that this item simply consists of certain branches of revenue somewhat minute, which it is not worth while

to enumerate with separate names, and which, therefore, are combined under this one head. But, in point of fact, the proper full designation of this head, and the form under which it stands in the regular public accounts is not Miscellaneous Revenue, it is Miscellaneous Receipts. The distinction between receipts and revenue may at first sight appear fanciful, but it is real, and even important. A very small portion of this branch of our income, which has now grown to a considerable amount, consists of revenue at all. During the year just expired, only from 200,000*l.* to 300,000*l.* could be properly so designated; all the remaining sums, which make up the head of Miscellaneous Receipts, depend upon the rules which have been adopted by Parliament with respect to public accounts and to the voting of public monies; and they consist partly of repayments, in one form or another, of monies which have been voted by the House, partly of equivalents for those monies; as, for example, in the case of the sums realized by converting into money what are called "old stores." If, therefore, we wish to institute an accurate comparison between the revenues of two successive years, the safe way is to begin by deducting from both accounts all that appears under the head Miscellaneous. If the Committee will follow me, bearing in mind what I have now stated, I will endeavour to lay before them the revenue of last year as compared with that of the year preceding; and we are now dealing with a matter of importance, for this comparison will enable us to measure the elasticity of the resources of the country, under those circumstances of peculiar depression to which I have referred. The gross revenue for the year 1861-2 was 69,674,000*l.*; but if we deduct the Miscellaneous Receipts and the China Indemnity, the real revenue, in the strictest

sense, was 67,927,000*l.* The gross revenue for the year 1862-3 was 70,603,000*l.*; but deducting, for comparison, the Miscellaneous Receipts, the China Indemnity, and a sum paid to the credit of the revenue from Stamps, which did not appear, on either side, in the accounts of the previous year, amounting altogether to 2,213,000*l.*, the total revenue of the last year, for the purpose of the comparison, will stand at 68,490,000*l.*, against 67,927,000*l.* in the preceding year. But, as the figures that appeared in the newspapers were too favourable for the year 1862-3, so the figures I have now stated would be too unfavourable, if they were left without any correction; because, in order to obtain a true comparison, I must deduct so much revenue as was received in 1861-2 from sources which were closed in 1862-3. Those sources were three in number. In 1861-2 we received for one quarter's income tax, at the rate of 10*d.*, together with arrears, a sum of about 350,000*l.*, which was lost to the revenue in 1862-3. Again, we had received in 1861-2, on account of paper-duty, after deducting the drawback, a net sum of 351,000*l.* Thirdly, we had received in that same year, in the shape of hop duty, a sum of 241,000*l.* These three items, taken together, amount to 942,000*l.*, which, for the purposes of this comparison, must be deducted from the revenue of 1861-2. When the deduction has been made, the amounts of revenue, as received from the same sources, in the two years respectively, will be 66,985,000*l.* in 1861-2, and 67,790,000*l.* in 1862-3; showing an increase of revenue in the latter year to the amount of 805,000*l.* Now, Sir, this is not of itself a very large or striking augmentation, but it is in my opinion an eminently satisfactory result, if considered with due regard to the peculiar circumstances of the time. It is a result which I could not have

ventured to dream of anticipating this time twelve months, had I then been aware of the severe pressure which was not only to continue, but indeed to undergo serious aggravation, both in Lancashire and in Ireland.

I will not trouble the Committee by stating in detail what has been the growth of the revenue during the last year, as compared with a series of former years since the year 1858. But I will observe generally, that after going through the same process of rectification which has already been adopted in making the comparison between the years 1861-2 and 1862-3, it exhibits an average annual increase of very nearly the same amount as that, which I have stated for the last year. In strictness it has been a trifle more; for the average annual increase, which has prevailed during the four years from 1858-9 to 1862-3, has reached the sum of about 875,000*l*.

There is, however, one branch of the revenue in 1858-9, as compared with the last year, in relation to which I may still venture to offer the Committee some information, inasmuch as it is material that they should see what has been the effect upon the Customs revenue of the very extensive changes, reductions, and remissions of duty, which have since taken place. I find that, in 1858-9, the gross revenue from Customs was 24,118,000*l*.; deducting charges of collection, which were 1,063,000*l*., the net revenue was 23,055,000*l*. In the year 1860-1, extensive changes were made in the Customs revenue, which involved a balance of remissions and reductions over augmentations to the extent of 2,450,000*l*. Now, the gross Customs revenue in 1862-3 has amounted to 24,034,000*l*. We have to deduct the charges of collection, which amounted to 991,000*l*. The net revenue then stands at 23,043,000*l*., against nearly the same sum, namely, 23,055,000*l*., four

years earlier, nearly two millions and a half of duties having been remitted during the interval. In 1859-60, however, the revenue from Customs had been higher.

I now come, Sir, to the estimate of the Expenditure and Revenue for the current financial year. For the current year, the charge on account of Funded and Unfunded Debt, according to the present state of the statutes by which it is governed, is estimated at 26,330,000*l.*; the charges on the Consolidated Fund at 1,940,000*l.*; the Army Estimates are 15,060,000*l.*; the Navy Estimates are 10,736,000*l.*; the Estimates for collection of Revenue, 4,721,000*l.*; the Miscellaneous Estimates (so far as they have been already presented to the House), 7,692,000*l.* There will be, however, under the latter head, some charges, dependent on questions not yet finally adjusted, the amount of which I am not yet able to state to the Committee with the same degree of precision. Of these charges the most important part is connected with public buildings; but besides part of the Miscellaneous Estimates, the Packet Estimate has not yet been finally settled. The arrangements with the Galway Company are not yet so far matured, as to enable Her Majesty's Government to make a positive proposal, or even to state what course it may be their duty to take with respect to it; and the arrangements with respect to the West India Mail service are still under consideration. The Committee will observe, therefore, that I cannot now present to them the precise figures which relate to those matters. And, I may add, there is a Bill before Parliament, which I hope may become law, and which proposes, for the benefit of the public, to enable us to make a further conversion of stock, now held by the National Debt Commissioners, on behalf of the Savings Banks, from

the form of perpetual, into that of terminable annuities. If that Bill shall meet the approval of Parliament, it will eventually add 140,000*l.* to the annual charge of the Debt; but for the present year the increase of charge will not exceed 70,000*l.* I have then before me three items of expence, which are still uncertain. First, as to Miscellaneous charges, principally for Public Buildings; secondly, as to charge for Funded Debt; thirdly, as to the Packet Service. On account of these three items, including the entire charge of the Packet Service, I add the sum of 1,270,000*l.* to the sum of 7,692,000*l.*, which represents the Miscellaneous Estimates already before the House. These sums together make 8,962,000*l.*; and give us a total of 67,749,000*l.* as the probable or estimated expenditure for the year 1863-4.

I do not, of course, include in the Estimate those extraordinary charges for certain Fortifications, which Parliament decided, in the year 1860, to meet by a different method of provision.

But, Sir, I must not forget that the statement I am now making forms, in some measure, an answer from the Government to the Resolution adopted by the House last year. I therefore proceed to put this estimate of expenditure in comparison with that of former years. It is less than the actual expenditure for 1862-3 by 1,553,000*l.*, and higher than that for 1858-9 by 3,085,000*l.*; although the charge for the Debt was then greater by 2,197,000*l.*

I proceed, Sir, to the estimate of revenue. It stands as follows. The Customs revenue as estimated is 24,180,000*l.* For the purpose of affording a clear understanding of this account to the Committee, I assume a renewal, at the present rates, of all taxes which expire this year. In estimating the Customs at 24,180,000*l.*,

there is taken into account the late alteration in the tobacco duties. It is not easy to estimate exactly its effect on the revenue, but I take it at 100,000*l.*, which sum I have included in the estimate. The estimate for Excise is 17,600,000*l.* The receipts for the Excise last year were less than this amount; and after the statement I have made, with respect to the distress prevailing in certain portions of the country, it will naturally be asked why I anticipate an increase in this branch of the public revenue as compared with the last year, when the actual receipts were 17,155,000*l.* But the receipts last year, before they reached the Exchequer, were subject to various deductions, such as from 150,000*l.* to 160,000*l.* on account of hop drawbacks. Besides, the outstanding portion of the malt duties on the current year is better than the corresponding portion was for the last year; and this, together with certain minor augmentations due to the gradual growth of the licence duties and other duties of Excise, places the estimate for Excise at 17,600,000*l.* The Stamps I take at 9,000,000*l.*, Taxes at 3,160,000*l.*, the Income Tax at 10,500,000*l.*, the Post Office at 3,800,000*l.*, the Crown Lands at 300,000*l.*, the Miscellaneous at 2,500,000*l.*, and the China Indemnity at 450,000*l.* Here again it will be asked why so much larger credit is taken for this item than in previous years. The answer to that is twofold. First of all, in the year which has just elapsed, we made a large payment to the merchants in China of nearly 200,000*l.*—192,000*l.*, I believe—on account of their claims, and there is no corresponding item of deduction from the receipts of the present year, which will therefore come net to the public service. Again, though I have only taken credit in the account of last year up to the 30th of September, I believe in the present year we shall be

able to take credit up to the 31st of December ; in fact, 450,000*l.* from this source is an Estimate which I feel myself to be justified in submitting to Parliament. All these items together bring up the estimated Revenue for the year 1863-4 to 71,490,000*l.* The estimated Expenditure for the year is 67,749,000*l.*; consequently, there is an excess of estimated Income over estimated Expenditure of 3,741,000*l.*

The Committee will, perhaps, incline to the opinion, that when the Government has no impediment remaining in its way to prevent it from proceeding to the agreeable duty of the remission of taxation, it is idle for them to trouble themselves with the consideration of any questions tending to the augmentation of revenue. But, at the same time, in the complicated and extensive financial system of this country, anomalies, great or small, are from time to time brought to light; sometimes from the representations of interested persons, sometimes because we discover what were anomalies when originally embodied in the law, and sometimes because provisions, that were originally altogether unobjectionable have become anomalous, and even mischievous, in consequence of the alteration of circumstances. It is the duty of the Government steadily and continuously, and in some considerable degree without reference to popular pressure, although always paying a due regard to general or well-informed opinion, to remove those anomalies upon fitting occasions by judicious proposals to Parliament, for their own sake, as well as for the sake of any revenue to be obtained by the change.

The first change in our revenue laws proposed in the present year, which has a bearing upon financial matters, though mainly relating to trade, is that which has to do with the tobacco duties, and which has already.

become law. I have already taken credit for the gain likely to result from that alteration of the law, in the Estimate of the Customs revenue, which I have laid before the Committee. The next claimant upon our attention is one familiar to the Committee—I mean the duty on chicory. It is not necessary that I should dwell upon it at any length—the state of the case is very simple. There appears to be a very general agreement among persons of authority both in the Revenue Departments and in the commercial world, that as chicory and coffee are used strictly for the same purposes, in a combination together which is indistinguishable to the ordinary consumer, they ought to pay the same tax. Then comes the divergence of opinion; because one portion of the world says, “Raise the duties on chicory,” and the other says, “Lower the duties on coffee.” If that be, as it seems to be, the only alternative, my own inclination is very decidedly to raise the duty on chicory, not only because it tends to greater gain, but for these very plain reasons. At the present moment, coffee is lightly taxed in proportion to its value, when we compare it with tea or any other article with which it can be justly matched; and, consequently, if we lower the duty upon coffee, we hazard great part of a very considerable revenue—some 500,000*l.*—without having any hope of so acting upon prices, or improving the circumstances of consumption, as either to give any sensible relief to the people, or to produce any corresponding or even appreciable improvement in the revenue. I propose therefore to remove the existing anomaly by raising the duty upon chicory. I propose that the duty on foreign chicory shall be fixed at 26*s.* 6*d.* per cwt., which sum, after a fair allowance for additional waste in the preparation of the article, will, we think, correspond with the present

duty of 28s. per cwt. on coffee. With respect to chicory grown at home, we propose to fix the duty of Excise, according to precedent, not less than to equity, with a small further allowance. We propose that the duty of Excise shall be 24s. 3d. per cwt. I may take this opportunity of stating, that with regard to the other Resolutions, which I am about to introduce to the Committee, we shall propose to take them on this day week, and after that to introduce a Bill in which they will be embodied; but with regard to the Resolution on the chicory duties, I shall take the course usually adopted in such matters, and shall ask the Committee to pass it at once, of course without prejudice to the ultimate judgment of the House on this not very weighty question, for the single purpose of preventing the release of the article at the present duty to-morrow morning.

There are several other proposals, of no great magnitude, which I shall endeavour to explain, allotting to each, if I can, little more than a single sentence. It appears to be an evident anomaly in the law, as it is now worded, that strong liquors sold at clubs are sold without any licence. These clubs are, for all purposes we are now considering, in direct competition with coffee houses and hotels, which pay licence duties. We propose that the clubs shall pay the same rates of licence duties as the occupiers of hotels and coffee houses; but, of course, effectual provision will be made to prevent any annoying accompaniment — such as interference at the discretion of a magistrate, or liability to the visitations of the police. The question is of little moment as to revenue, but is a question of equality of taxation, and my whole object is to establish that equality. The next proposal I have to submit to the Committee is one of a similar character, and requires

only brief explanation. At present a case like this not unfrequently arises. A person applies to the justices of the peace for a licence to sell strong liquors. He obtains a licence to sell spirits; and along with his licence to sell spirits he takes out a licence to sell beer, for which he then only pays 1l.* He afterwards drops the licence to sell spirits, and continues the licence to sell beer at the same price; but every other person wanting to sell beer, and not arriving at it through the medium of a spirit licence, pays 3l. 6s. I therefore propose that a man who arrives at a beer licence through the medium of a spirit licence, but who is a beer seller, shall pay the same duty as he who takes it out without any reference to the bench of magistrates.

I am sorry to detain the Committee with these details; but all persons interested in the financial proposals of the year expect, as a matter of course, that on this particular occasion a full statement shall be made of all such proposals; and it would not be fair to those parties if I were not to deal in detail with all that affects them. I proceed to mention another case.

A year or two ago we removed a great anomaly, by which no person, except a publican, was permitted to sell less than a dozen bottles of spirits; but there is a similar anomaly still existing, which forbids every one except a publican from selling less than two dozen bottles of beer. I propose to remove that anomaly, and to give an additional licence for selling a less quantity of beer to those persons who are beer-dealers, that is to say, sellers of beer not intended to be consumed on the premises. The Committee may rest assured that this change will be equitable and convenient, nor is it likely to entail any risk of abuse. There is another question

* In like manner only 1l. was payable on a beer licence taken out alone, if granted by the magistrates.

which also demands our consideration, and is of considerable interest to the parties concerned. The proprietors of omnibuses have been before the Chancellor of the Exchequer, seeking for a reduction of the duty to which they are liable. Their case really divides itself into two parts. One of their complaints is of the amount of duty they have now to pay; and the other of the undue competition they have to sustain. With respect to the amount of duty they have to pay, it is only one quarter of what the proprietors of public carriages had to pay twenty-five or thirty years ago; and so lately as about eight years ago this House took the matter into its own hands, and did grant a considerable relief to these parties. This adjustment, recent as it is, may, I think, be held to be a settlement of the question as to amount of duty. I confess it appears to me that the only case they can possibly make at present is that of undue competition. The proprietors of stage carriages in the country complain that carriers, who profess to travel under four miles an hour, and who also carry passengers, pay no duty whatever. It is impossible, as is alleged, to know whether they do travel at four miles an hour or not; but their carriages are not of a character to pay at the same rate as stage coaches; and what I propose is, that all small carriages carrying passengers for hire shall pay half the duty now paid by proprietors of stage carriages; thus combining a general relief, in favour of small carriages, with the removal of the exemption as regards those small carriages which are said to travel under four miles an hour. The other part of the complaint of the omnibus owners is with respect to the competition of the railways, and of the unequal manner in which the railway duty, as now imposed, is found to work. The House is aware that railways are supposed to pay 5 per cent. on their

passenger receipts. But in 1842 a sort of compact was made between the Government and the Railway Companies, and it was ratified by the legislation of this House, under which the railway companies undertook the obligation to run a certain number of trains at fares not exceeding one penny per mile, upon the condition of the exemption of those trains from taxation. It may be said that this was a covenant then made between them and the Government, and that if the exemption be discontinued, they are released from the obligation of running the trains. That is so, as far as regards the trains contemplated by the Act of 1844; but that Act did not contemplate the trains which I now have principally in view; and the plan we propose is more favourable to the railway companies than the compact or covenant of 1844. The question, whether the legal obligation should be continued, is not within my department, and is one upon which I am not prepared to give any strong opinion. But, since that time, an anomalous state of things has grown up. Although exemptions are, as a general rule, to be strongly condemned, the case of this exemption is peculiar; for at the time when it was granted, in 1844, it appeared that those of the poorer class who had occasion to travel were actually losers by the introduction of railways, and Parliament, in order to apply a remedy to so great an evil, made a special arrangement for exempting trains of a peculiar class. But a system has grown up under the provisions of the Act, as they have been interpreted, which gives to the whole of what is termed excursion traffic an entire exemption from duty, while the regular passenger traffic is liable to a tax of 5 per cent. on the receipts. The Government submit most confidently to the House that this is an anomalous and injurious state of things. In the first place it is wrong, unless for special and

strong reasons, to draw a distinction between one kind of traffic and another, and to give a premium to railway companies to cultivate one kind of traffic in preference to another. In the second place, it is not only wrong, but absurd, to give that particular premium in the case of what we term excursion traffic. It, no doubt, is very useful and valuable in its way; but at the same time seems to be attended with considerable inconvenience and no inconsiderable danger. Far be it from me to say that Parliament should presume to discourage or repress excursion traffic; but we ought not to stimulate and force it by direct pecuniary encouragement at the expense of the general traffic of the country. The effect of this singularly anomalous arrangement is, that while railways are supposed to pay 5 per cent. on their receipts, they only pay between 3 and $3\frac{1}{2}$ per cent.; and in the case of some railways, which deal only in a particular kind of traffic, not much above 2 per cent.; and so far they may, perhaps, be thought to give a fair subject for complaint to competing interests. What we propose is this; to destroy the exemption altogether, and to commute the payment of 5 per cent. with exemptions into a payment of $3\frac{1}{2}$ per cent. without exemptions. The result will be nearly the same. It will be slightly in favour of the Treasury; but we shall establish a sound principle instead of an unsound principle, and an equal state of things between rival interests.

There is another small matter which I have to mention. We propose to assimilate the law in Ireland as to charitable legacies to the law of England. Charitable legacies in Ireland at the present moment are insignificant in amount, but they do not pay legacy duties. We propose to repeal that exemption.

This, however, connects itself with a subject of much

greater importance, so far, at least, as principle is concerned, to which I desire now to ask the attention of the Committee. I refer to an exemption which is granted by the Income Tax Acts to what are termed "charities," and to corporations, with respect to that part of their income which they may prove to have been expended for charitable purposes, as the term is construed by the law. I proceed to state to the Committee the origin and grounds of this proposal, which I earnestly hope—nay, I confidently expect, will receive the sanction of the Committee.

It will be remembered that, in the year 1859, the Government announced its intention to ask Parliament to extend to corporations the succession duty, which, in that year, was for the first time imposed upon real property and upon settled personalty. We had not time to compass actual legislation for the purpose in that Session; but the principle appeared to receive the decided approval of the House. It appeared to be felt, that there was no reason in the world why corporate property should enjoy a benefit not enjoyed by the property of individuals, or, in other words, should receive a premium at the expense of the property of individuals; for it must be borne in mind that, in every case, exemption means a relief to A at the charge of B. In considering, however, the question of a succession duty for corporations, which are without successions, it became obvious that the form of the tax ought to be commuted, and that it should be an annual duty, instead of a duty recurring only at long intervals; but further, the investigation of the subject could not but impress the Government with the view of a very remarkable fact. In this country we have levied, during the financial year which has just expired, about fifteen millions of hard money, by direct taxation of various kinds; In-

come tax, Probate duty, Legacy duty, Succession duty, House tax. Every shilling of this great sum is taken out of the pockets of individuals. Property held in mortmain, held in the hands of corporate bodies, or under trust for charitable purposes, contributes, as I shall be prepared to show, nothing whatever to this great sum of fifteen millions. I venture, Sir, to say that this state of things is unjust. It is not fair that the taxpayers of the country, to a very large proportion of whom taxation is, and must be, a serious burden—that the fathers of families, men labouring to support their wives and children, should be taxed at an augmented rate, in order to afford the luxury of exemption to bequests for what we term charitable purposes; for, in the main, the property which enjoys this exemption is property which has been devoted to its present purposes, not during the life-time of the donor, but on his deathbed, or by his will, and when it was no longer his to enjoy. We doubt the policy of encouraging, at the charge of the public, particular persons to devise methods of thus disposing of their wealth, which may be attended in some cases with much benefit, in others with very little; but which very generally create patronage, and often tend to gain credit and notoriety for the individual himself, which otherwise he might not have enjoyed. As for example, sometimes by his name posted up in enormous letters; sometimes by appointing bodies of governors, who may meet together at sumptuous banquets from year to year in the name of charity, and thus periodically glorify some pious and immortal memory of a founder. I cannot now attempt to draw any full or just picture of this subject; nor do I wish to be understood as giving utterance at present to one single word in disparagement of these institutions, except up to the point that they ought not,

as I urge, to enjoy that very large amount of positive pecuniary preference, at the cost of the general community, which is allowed to them by the present provisions of the law.

Let me now advert to a point which is of great importance with a view to the just consideration of the case. At the time when the exemption on behalf of charities was first granted, the practice of the State was very different from what it now is. One of the main objects of endowed charities is education; and for education, at that period, the State made no provision. Another main purpose of these endowed charities is to relieve the poor. At that period the State undertook no expenditure for the poor, apart from local taxation; still less can it be said that the public then undertook any expenditure, directly or indirectly, on account of charities themselves. How stands the case now in these three respects? The Votes which are submitted to this House for the present year, with a view to those purposes, include—first, for Education, 1,111,000*l.*; for the Poor Law Board, 227,000*l.*; for Universities, 35,000*l.*; and for the administration of these charities themselves an item of 18,000*l.*, which is money taken from the taxpayer, and which by no means represents the total of direct charge on their account. So then the public are now called upon, not only to maintain and improve the property of these charities by means of our general taxes and of our commercial legislation, without their supplying any contribution themselves, but, moreover, the State is required to bear the charge of costly investigations, and to provide the expense for maintaining considerable establishments in order to assist, facilitate, and cheapen the management of these same charities. There are other points of the case into which I do not intend to enter at large; one is this, that it is hardly

possible to construe in a satisfactory manner the meaning of the law, as to what are and what are not charities for the purpose of taxation; the law is therefore of necessity applied, not with certainty and precision, but roughly, and hand over head, as it can best be done. The opinions of Law Officers of the Crown have thrown considerable doubt upon parts of it. If a person leave property for the benefit of the poor of his parish, one would suppose that this, in the sense of the law, must be charity; but no; this, it has been ruled, is not charity, because it simply goes in aid of the poor rate, and in relief of those who pay it. Other questions of the most perplexed description have arisen, and the practical difficulties in the administration of the law are hardly to be described. I have stated that we pay at present a sum of 18,000*l.* a year for the maintenance of the Charity Commission, an expenditure which I believe to be highly beneficial, in particular to the charities themselves. But, over and above this, the Revenue Department is put to serious expense in the endeavour to execute the law, from the excessive complexity and minuteness of the claims for exemption, and from the difficulties attending their verification. A single institution has property in forty, fifty, nay, it may be, in a hundred different parishes; and on each of these properties are charged severally a multitude of small bequests, into the separate investigation of which it is scarcely possible to enter with a view of ascertaining whether they are for purposes which the law regards as charitable, or whether they are not. We propose, therefore, that the exemption of charities generally shall cease to exist, partly on account of the altered practice of the State and of the heavy charge it undertakes for charitable purposes; partly on account of the difficulty and confusion encountered in the attempt to give effect

to the exemptions; and partly, indeed mainly, on account of the sound general principle that all property ought to contribute to the taxes of the country; which, if they are justly and wisely imposed, ought not to be regarded as penalties on the possession of property, but as the necessary means of rendering property available for the effective use and enjoyment of the owner.

There are, however, certain portions of the exemption, which it may be well to keep alive. I mean particularly that part of it which affects the buildings belonging to hospitals, colleges, and charities of various other descriptions. We do not propose to withdraw this portion of the exemption; and simply on the practical ground, that whereas a main part of our view is to simplify the law, and make it capable of certain and uniform execution, we should impede our own purpose were we to attempt to tax generally buildings not occupied for profit, as it would be extremely difficult to arrive at any equitable principle on which they, and the sites they stand upon, could be valued. In the single case of places of Divine worship, we propose to go a step further, and to allow the exemption to continue in favour of the funds devoted to keeping them in repair.

I wish also to refer for a moment to what are termed voluntary subscriptions, and institutions dependent upon them, lest it should be apprehended that they are affected by the proposal of the Government. They stand on a totally different footing from the exempted charities, and they are not charities at all in the eye of the law. No tax would reach them, as there is no person who would be assessed in respect of them. The property of endowed charities will be liable, because it will be taxed at the source; but all income from voluntary subscriptions, received and spent from year to year, will remain as it is now, taxed neither more nor less;

for in truth it is already taxed in full, as the subscriptions form part of incomes which have paid the tax already.

Another reservation appears to us to be required by the justice of the case, and it is as follows. Whenever there is an individual, whose total income is under 100*l.*, and who is already in receipt of a portion of that income from a charity, we propose to provide that such portion shall in no case be liable to any abatement on account of income tax, until the interest of such individual shall have determined. For we consider that such a person has acquired a beneficial interest in the grant that he enjoys; and if he were subjected to abatement on account of income tax, we should place him in a worse position than other persons having an equal income, and that in derogation of rights acquired previously to the passing of the enactment we propose. This may be regarded as a matter of detail, but it is one which I have thought it material to explain, at least in these general terms.

There is much more to be said on the subject of charities and their exemption; and a good deal of perplexity is involved in some parts of it. But I will for the present forbear to notice many of the points to which I may find occasion to advert on a future opportunity.

I am not able to state with precision the financial result of the proposal we now make. Thus much, however, we do know, that we make an abatement or repayment of income tax on property amounting to two and a half millions in yearly value. We further know, that a very considerable amount of real property in various parts of the country is discharged from assessment altogether; a measure, I believe, adopted without express legal authority, but apparently with a view of

saving expense in minute investigation, which would otherwise constantly recur. It is, at any rate, probable, indeed, it is almost certain, that in many cases portions of this property have passed from the possession of charities into the hands of private individuals, who now pay no tax upon it; in fact, of a considerable portion of it we have entirely lost sight; but so far as we can estimate the effect of the exemption, the loss which it causes can scarcely be less than 100,000*l.* a year. If it be removed, we shall obtain three-fourths of this sum, or 75,000*l.*, during the present financial year. The new minor charges to which I previously referred are likely to bring in about 58,000*l.* for the year; the two together make 133,000*l.*, which, added to the surplus I before stated of 3,741,000*l.*, makes a total of 3,874,000*l.*

I have now, Sir, to state the manner in which we propose to deal with this surplus of estimated income and estimated expenditure. And the first subject which I have to mention is one to which I can scarcely allude without a pang to my self-love: I refer to what is termed the penny charge on goods inwards. It was enacted in 1860, and it is sometimes called a small, sometimes a petty charge, according to the inclination of the person who is describing it. It was originally submitted to the House in the belief, on the part of Government and of their advisers, that it was capable of being arranged with great simplicity, and of being levied without entailing any delay or hindrance in the course of trade. I am bound to admit that this expectation, as we soon found, could not altogether be realised: it was requisite, however, to persevere with the proposal, for the purpose of obtaining a sum of money necessary at the time, in order to enable us to give effect to what the House and the country justly regarded as great improvements in our

commercial legislation and administration. I conceive that the great expansion of the trade of the country, since those improvements were effected, amply shows that this charge has not constituted a capital grievance. Still, I own that an amount of inconvenience is found to attend the operation of it, which is considerable in proportion to the revenue it yields. It may be stated generally, that it is liable to that class of objections which attach to *droits de balance*, or, as we call them, nominal duties. We have now, I am happy to say, arrived at a condition of the revenue which enables us to dispense with this particular payment; and I accordingly propose that, on and after the first of July, the penny charge shall cease and determine.

Together with the penny charge inwards, I have to mention another charge of 1s. 6d., levied on every bill of lading outwards. Both the intention and the operation of the two are altogether distinct. The charge of 1s. 6d. was imposed mainly with a view to statistical, rather than to fiscal, objects; on the other hand, there is no delay or obstruction whatever to the course of trade in connection with this charge. We consented last year to refer the consideration of it, together with the former one, to a Select Committee presided over by my hon. Friend the Member for Honiton. That Committee undertook to examine into the value of the statistical details appended to the bill of lading, in connection with this charge; and they reported that all needful statistical information could be obtained without those details. We assented to the reference of this question to the Committee; and we have felt, that the merchants of this country are themselves the parties most interested in procuring good commercial statistics, and that their authority is accordingly of great weight in such a matter. Under these circumstances, and as the revenue

derived is not very important, we have thought it well on the whole to treat this charge in the same manner as the penny inwards, and we therefore propose that from the same date, the first of July, the 1s. 6d. duty shall disappear.

The total revenue derived from these charges amounts to 191,000*l*. As that revenue will cease on the first of July, we shall lose this revenue for nine months out of the twelve; I must therefore deduct, on account of the repeal of these charges, 142,000*l*. from the surplus which I have mentioned. There have been times, Sir, in the history of other generations, when it has been considered not only warrantable, but highly laudable, for parents to bring their own children to the scaffold or the axe. I now find myself in that predicament. I offer up these children of mine with the greatest cheerfulness and good humour, as far as I am concerned, on the altar of the commerce of my country.

The next subject, which I have to submit to the notice of the Committee, is one to which I feel anxious to draw its particular attention. It is of greater magnitude than the matters which I have just mentioned; but it is not, at the same time, of such magnitude as to dispose of a very large portion of the surplus at our command. It relates to what may be called the "minor incomes" now liable to the income tax. I must begin by reminding the Committee of the course with respect to it, which has been taken at former periods by the Legislature. When Mr. Pitt first introduced the income tax, 60*l*. was the lower limit of the incomes to which the tax began to attach; but it began to attach at that point in a form so mitigated as to be of very little financial value, and we do not propose to return to such a provision in the construction, or rather by a re-construction, of the tax. Mr. Pitt fixed the limit upwards at 200*l*.; and it was only on

incomes at and above that amount that the full force of the impost fell. A very complicated arithmetical series of deductions was submitted by him to Parliament, which provided that the deductions should grow larger and larger, as the incomes became less and less, down to the point fixed. I have cited the authority of Mr. Pitt simply to show that in his view, and in the view of the Parliament of that day, 200*l.* constituted the limit at which the full operation of the tax ought to begin to attach; and likewise that 60*l.* was the sum which, as they thought, might properly be withdrawn from the scope of the case altogether. Now, Sir, it is undoubtedly true that since the time of Mr. Pitt the wealth of the country has enormously increased, and that, with this enormous increase in wealth, the relative value of a given pecuniary income of so many pounds sterling has rather diminished. An income of 200*l.* a year, at the present day, gives less consequence, and less social standing, to its possessor, than it did in the time of Mr. Pitt; and an important part of the proposal I am about to make is, that we should fix 200*l.* a year as the limit below which some deduction, or favour in some form, should attach to incomes liable to the income tax.

At a later period, under the pressure of war, the limit of the full tax was carried down to 150*l.* When Sir Robert Peel revived the tax in 1842, he revived it at that amount; and he granted beneath that point a total exemption; but when he framed his measure, he entertained the hope of the early extinction of the tax. When, in 1853, the tax was renewed for seven years—and again with a hope of its extinction which proved to be fallacious—the limit of the tax was moved downwards, and was fixed at 100*l.* instead of 150*l.* The ground upon which that was done, and I think justly done, by Parliament, was this. It was shown, that no class of the community

had benefited more by the general extension of trade and the increase of profits resulting from the imposition of the income tax, and by the direct diminution of protective and other indirect duties, than that class, whose incomes ranged between 100*l.* and 150*l.* a year. It was, I may say, then thought to be due in justice to those who had incomes somewhat above 150*l.* per annum, that those, whose incomes were immediately under that sum, should thenceforward make some contribution to the fund, by means of which such great benefits, common to all classes, had been realised.

So far as regards the amount of income at which the application of the income tax commences, in the opinion of the Government it is justly fixed by the present law at the sum of 100*l.* I must, however, state that what I may call the sore place, at any rate the sore place above and beyond all others, in the working of the income tax, is at the point where incomes range from 100*l.* up to 200*l.* per annum. I venture to give this opinion with much confidence; for I have, however unworthily, been the occupant of my present office for a considerable time, and have been, I may venture to say, in a peculiar manner, the confidential recipient of the sorrows and grievances of the tax-paying community. I may add, that the opinion I now express is, I know, shared by the authorities of the Revenue Departments, practically most conversant with the working of the tax. From time to time, I may almost say from day to day, the post brings me complaints of individuals respecting the working of the income tax; and I believe I am stating the case moderately rather than otherwise, when I inform the Committee that, among those complaints, nineteen out of twenty proceed from persons whose incomes, exceeding 100*l.*, fall short of 200*l.* a year. One circumstance which makes the tax particularly galling to

this class of tax-payers perhaps is, that the charge is more accurately and fully levied in their case, than in the case of many wealthier persons assessed in respect of trades and professions. As a general rule, the concerns of those, who possess only these smaller incomes, are more transparent, so to speak, than the private affairs of their richer fellow-countrymen. Every neighbour can see through them; they may be said to live in glass houses; deception, if they were disposed to deceive, would be for them almost wholly impossible. They pay the tax fully and rigidly; and they see, or they surmise, that many persons above them in the world, are not and cannot be always brought to account with equal strictness. There is another difficulty in the case; it frequently happens with a considerable portion of the labouring class, and until the period of the distress in Lancashire that portion was much larger than it now is, that the aggregate income of a single family may amount to more than 100*l.* a year, and yet we cannot bring that family under the operation of the tax, because the wages of the father singly, who is the head of it, do not amount to that sum; while, on the other hand, it has been felt by the Legislature that to investigate and ascertain the separate earnings, such as they may be, of the wife or the children, would entail an inquisition quite intolerable. This constitutes, in our judgment, a strong reason for dealing gently and equitably with taxable incomes between 100*l.* and 200*l.* a year. The two points, at which the operation of the tax may be said to pinch more than at any others, are where it falls upon incomes of 100*l.* or a trifle more, and, again, upon incomes of 150*l.* and a little over that amount also. We have endeavoured to frame a proposal which will, in our opinion, go far to meet the justice and equity of the case. I do not speak of justice in the most determinate and rigid sense.

What may be called mathematical justice is hardly applicable to this subject. And, indeed, in principle there is no injustice in requiring any man to pay income tax who is able to pay it. Still, there is a wider and likewise a larger kind of justice, which it is the desire of Parliament to administer in fiscal legislation, and which has due regard to considerations of prudence and policy, to the general bearings of our fiscal system on the various classes, and to the degree of pressure which can practically be brought to bear on flesh and blood. Our plan, then, is as follows. Retain the point of 100*l.* a year, as the lowest point at which income shall become taxable at all; adopt the point of 200*l.* a year, as the point at which income shall be brought under the full pressure of the tax; remove altogether the distinction at the point of 150*l.*; abolish the double rate which now prevails, and in lieu of it have only one rate; but allow every taxable person, whose income ranges between 100*l.* and 200*l.* a year, to make a deduction of 60*l.* from his taxable income. I venture to hold out a strong hope that the effect of this proposal, if adopted by Parliament, will be to mitigate in a remarkable degree the difficulties, which are now felt in the application of the tax to the lower incomes, especially at the two critical points of 100*l.* and 150*l.* to which I have referred. I am very desirous that this proposal should be clearly understood, and perhaps I may render it more intelligible if I state what will be its effect upon incomes at various rates which are to have the benefit of it. The figures I am now about to give are computed upon the supposition that the new law is to be compared with the old one at the rates of tax now ruling, viz. : 9*d.* and 6*d.* in the pound. On an income of 100*l.* the tax is now 2*l.* 10*s.*; under the new system it would be 1*l.* 10*s.* On an income of 125*l.* it would be

2*l.* 8*s.* 9*d.*, instead of 3*l.* 2*s.* 6*d.* as at present; on an income of 150*l.*, 3*l.* 7*s.* 6*d.*, instead of 5*l.* 12*s.* 6*d.*; and on an income of 175*l.*, 4*l.* 6*s.* 3*d.*, instead of 6*l.* 11*s.* 3*d.* The relief, therefore, as will be seen from these figures, will be most considerable at the points where the inequality is at present greatest. Those who entertain very strong objections to the income tax may, perhaps, think it would be better to retain, heaped upon its head, all the inequalities with which it is charged. I have, however, always felt, and I continue to feel very strongly, the force of these objections; but, at the same time, I think it is our duty to remove, wherever it is practicable, those inequalities which produce great, and I must say very intelligible, public discontent. I speak the opinion of all who are practically conversant with the working of this branch of taxation when I say that the adoption of this proposal will be a great, I may say almost an immeasurable, boon to those classes whom it concerns.

And now, Sir, as we have got the pickaxe into the respectable fabric of the surplus, and have dislodged from it one or two bricks, we shall find it very easy to complete the bulk of the operation, and to bring the whole, or nearly the whole, of that fabric to the ground.

The subject which I have next to bring under the consideration of the Committee is that which is commonly called the tea and sugar, but I prefer to call it the tea or sugar, duties.

In the first place, I assume it to be beyond doubt that the question of what we rather loosely, but still intelligibly, call the war duties on tea and sugar, occupies a front place among the questions which, in the present condition of the revenue, must be brought under the view of Parliament.

In the second place, it is, I believe, the view of Par-

liament, as it is also of Her Majesty's Government, that in a case where we are happily able to offer a reduction of taxation, we should have a mixed and joint regard for the two great descriptions of taxation—the direct and the indirect. Now, it is quite impossible for us to make what I should consider an effectual change, with respect to both the tea and the sugar duties. The cost would be too great, if we reduce, at the same time the tea duty to 1s., and the sugar duties to the point at which they stood before the Russian war. It appears to us perfectly clear, that whatever we do, we ought not to divide the remission upon either article into two or more parts, but rather to choose one of the two subjects, and to deal with it effectually. It will be much better, as it seems to us, to make such an alteration as will give a sensible stimulus to trade and consumption, and thus, in consequence, a sensible stimulus to revenue, than to dole out and divide into minute proportions, and into ineffectual, or less effectual, amounts, such relief as is in our power to bestow. Practically, therefore, the question comes to be one of choice between the tea duty and the sugar duty, for reduction of the whole amount, which is in question, upon either. This is I suppose, Sir, the first time in the history of legislation or of mankind, that these two articles have been placed in hostile competition with each other. Nature seems to have ordained that intimate alliance between them, which has been satisfactory to the experience of us all. I am truly sorry that it should fall to my lot to propose a severance of their union, even if only in appearance, and if only for a time. I have, however, this consolation, that if we confer a boon on the one, it immediately overflows upon the other; for the old established combination in their use makes it entirely certain, that if we reduce the duty upon sugar, we shall bring about an increased consump-

tion of tea ; and if we reduce the duty upon tea, we shall excite a larger demand for sugar. That being the state of the case, let us proceed, Sir, to inquire which of the two has the greater claim to immediate relief. In the first place, there is no difficulty, in either case, as regards the stocks on which we have to draw ; for of both articles we have an abundance. As regards the prices, sugar is for the moment the cheaper of the two ; but its cheapness depends, in some degree, on the continuance of a great calamity to mankind—the sanguinary war in America. The special arguments, which might be urged in favour of the selection of sugar for reduction appear to us to be these. First, that nine years ago the duty upon sugar was actually lower than it now is ; whereas, with respect to tea, although a date has been fixed by law for its falling to 1s., it has never in fact been below the point where at this moment it stands. Secondly, the general trade in sugar is larger and more important than that in tea. The incidental and collateral effects upon commerce, in connection with the reduction of the sugar duties, would be more considerable than those proceeding from a reduction of the tea duties. Turning, on the other hand, to the arguments applicable on behalf of tea, they will be obvious enough to the minds of hon. Members. Some of them are secondary considerations, not wholly unimportant, even if, of themselves, indecisive. Our present relations with China, the existence of our military establishments there, our interest in developing the commerce, and establishing the social order of that great country, are, without doubt, important topics of national consideration, even if they can hardly be allowed to turn the scale in a question such as this. There is, however, a negative argument, by no means unimportant, in favour of tea, which is to be derived from certain proceedings now in progress with respect to sugar. The subject of

duties upon sugar is one of peculiar complexity in its practical application, more particularly with reference to the scale of drawbacks, which it becomes necessary to allow on behalf of refined sugar, when exported from the country where it has undergone manufacture. It happens that at the present time, on the proposition of the French Government, most of the countries which possess an important sugar refining trade have agreed to send, and have sent, representatives to Paris, to consider the detailed regulations now in force on the subject. Hitherto, each country has been accustomed to allege against the others, that what are called drawbacks are really bounties. It is of great importance to the European trade in this cardinal article, that a common understanding should be arrived at. Of course, nothing will be done in the prosecution of the inquiries in Paris to bind the judgment of the Executive Government, much less of the House of Commons; but if legislation on sugar be postponed, we shall approach the consideration of the details with much greater advantage, when we have before us the results of the comprehensive, minute, and impartial inquiry which we have reason to anticipate. But, Sir, perhaps the most important argument for tea, as bearing immediately on the case, is that the present duty on tea is much higher, in relation to value, than the corresponding duty on sugar. I will take, not the prices of tea or sugar at this moment, but the ordinary or average prices. The duty on tea is more than 100 per cent.; in other words, it is greater than the usual price of tea in bond; while the duty on sugar is only equal to about half of the usual value of the article. In a question of relative justice in the distribution of relief, this consideration has appeared to the Government to be of the greatest importance. It will thus appear, that by the reduction of duty which is contemplated, it is in our

power to produce a much more sensible effect on the price of tea than on the price of sugar, and in proportion we may hope to bring about a more considerable increase of consumption, and restoration of revenue. By a reduction of duty also, we can much more considerably lower the price of tea than of sugar. The price of a cwt. of sugar, duty paid, is on an average about 35s. If we take off 3s., by reducing the duty to its minimum, we bring the price to 32s.; which is a reduction of about 8 per cent. On the other hand, the duty-paid price of a pound of tea is 3s.; and if we take off 5*d.*, that reduces it to 2s. 7*d.*, giving a reduction of about 14 per cent. It will, therefore, be obvious to the Committee that we have reason to anticipate a more considerable and buoyant effect from the reduction of the duty on tea, than if we act on sugar. Guided by these considerations, we have formed the intention to propose to the Committee the reduction of the duty on tea from 1s. 5*d.* to 1s. per pound. We likewise propose, that this reduction shall take effect immediately after the Resolution I am about to lay upon the table shall have been adopted in Committee and by the House. So far as our forms of procedure are concerned, there is no necessity for a Resolution previous to the Bill; but one will be submitted, as offering the simplest mode for obtaining the judgment of the House, and a practical settlement of the question. We intend to submit the Resolution on Thursday next; we shall propose to report it on Friday; and on the subsequent morning the tea duty will, as we hope, be reduced to 1s. per pound.

We are of opinion that the revenue from tea should at present be granted only until the 1st of August, 1864. It may be important to consider during the next Session, or at an earlier date, whether, according to the practice which formerly prevailed, some one important branch of

revenue should in future be voted only from year to year, and whether the branch of revenue to be so voted might not be the duty on tea or on sugar. When the duty upon sugar comes to be finally settled, the two can be considered together. I am not able to say at what period the question of the sugar duty can be dealt with; but with a view to the joint consideration of the two articles in relation to the point I have named, it will be most convenient to renew the tea duty only until August, 1864. The Committee need not apprehend that the proposal thus to fix the duty upon tea only for a limited period will have any disturbing or unsettling effect; for it is thoroughly understood by the trade, and by the country, that when the tea duty shall be reduced to 1s. per pound the reduction will be, so far as we may presume to look forward into the future, a final measure.

We estimate as follows the financial results of the change. In 1862-3 we consumed 77,500,000 lb. of tea, which paid a duty of 5,497,000*l.*; in 1863-4, if there were to be no change in the law, we should estimate for a consumption of 79,636,000 lb., which would yield a revenue of 5,640,000*l.* The first loss of 5*d.* per pound on that amount, for twelve months, would be 1,659,000*l.* We think, however, we may venture to reckon with safety upon an increased consumption, in the first year after the reduction, of 6,000,000 lb., producing a revenue of 300,000*l.* We shall thus reduce the loss for the entire twelve months to 1,359,000*l.*; but a small portion has already been broken off the financial year for which we estimate: on account of this fraction of the year I strike off 59,000*l.*, and I reckon, accordingly, on a net loss of 1,300,000*l.*; a large sum without doubt, but a sum which I think will be adequately compensated by the benefit we are about to confer on the community.

It may be thought that, in a case like this, we do not

at all require the aid of any ocular demonstration. It has, however, happened that my hon. Friend the Member for Lancaster (Mr. Gregson), apparently mistrusting the intelligence of the Committee, has been good enough, at the close of his long campaigns as leader of the movement for the reduction of the tea duty (and I take this opportunity of offering him my public and cordial congratulations on the triumph he has so justly earned), to forward to me the two parcels which I hold in my hands. Of these the one is labelled "a pennyworth of tea at 1s. 5d.," and the other "a pennyworth at 1s.;" and the Committee will readily perceive the considerable difference in their respective bulks. This matter is not without interest, because an idea prevails, that when duties of this kind are reduced, an undue proportion of the benefit is arrested, while on its way to the public, by the merchant and the dealer. It will therefore, I am sure, be a matter of great satisfaction to the Committee to find that my hon. Friend, a man of the highest character and honour, and deservedly possessing the confidence of the whole mercantile world, especially of the East India and China trade, has thus pledged himself to me, personally and individually, that in every case the man who shall buy a pennyworth of tea under the new duty will have at least the same increase over what he would have bought under the old duty, as is represented by the large packet which I hold in my right hand, compared with the small packet which I hold in my left hand.

What now remains to be considered is the question of the Income Tax. It will be recollected that my estimate of receipts from the Income Tax for 1863-4, taking the tax at 9d. and 7d. in the pound, was that the tax would produce, in the course of the financial year, 10,500,000*l.* A reduction of the tax from 9d. and 7d. to 7d. and 5d.

—I am not now taking into account the loss by the change in minor incomes, as I wish to keep that question separate from the question of poundage—would cause a diminution in the year's receipts of 2,350,000*l.*, or 1,175,000*l.* for each penny of the 9*d.* That would be the loss upon the tax for the whole year; but the whole of the loss would not be felt in the present year. A careful estimate, made by the Board of Inland Revenue, shows that the loss in the present year would probably not be more than 1,600,000*l.*, and that a further sum of 750,000*l.* would stand over till the financial year 1864-5. But there is also to be taken into account the plan, which I recently explained to the Committee for the relief of minor incomes. For an entire year, the loss from the adoption of that plan would be 400,000*l.*; for the actual financial year we may very safely take it at 300,000*l.* It therefore follows, that we may reduce the Income Tax 2*d.* in the pound for the whole community, and we may likewise further adopt a plan of relief for minor incomes, at a cost to the revenue in the present year of 1,900,000*l.*, with a prospective charge, in addition, of 850,000*l.*

And here, Sir, in passing, I cannot refrain from calling the attention of the Committee to a subject of no inconsiderable interest, and reiterating an opinion which I ventured to express in a former Session, but which was then received with some (I admit) not unnatural scepticism—the opinion, namely, that the change in our fiscal arrangements, by which we now collect three-quarters of the Income Tax for the year within the year, in lieu of only one-half as before, is a change of great and beneficial administrative importance. When we collected only one-half of the tax in the year, the effect was this. At various periods we had legislated in respect of the Income Tax under the pressure of great political and financial

necessity, with a view to the wants of the year with which we had to deal; and yet we only received within that year one moiety of the sum which we directed to be raised. On the other hand, when we remitted a portion of the tax, one-half, or more than one-half, of the entire remission passed not into the year which we had immediately in view, and for the wants of which we were making provision, but into the year beyond, as to the needs and circumstances of which we had no information before us. By means of the change which brings us, in each year, three-quarters of the tax belonging to that year, we have got the Income Tax, so to speak, much more in hand. It is, I fear, unavoidable that we should always remain three months behind hand over and above the sums which may be in arrear. Unavoidable, I mean, in England; in Scotland a different arrangement, in some respect better, has been found practicable, and in that kingdom the whole of the tax is received within the year, though at a very late period of the year. So far, however, as England is concerned, by levying three-quarters out of the four, instead of two, the Government is enabled to adjust its financial arrangements with a much closer adaptation than was previously possible to the circumstances of the country and the necessities of the State. With the present system of collection, our total amount of remission being 2,750,000*l.*, 1,900,000*l.* of that amount will fall upon the financial year, and 850,000*l.*, or less than one-third part, will remain for 1864-5. But under the former system no less than 1,483,000*l.* of the total loss would have stood over to 1864-5, and only 1,267,000*l.* would have been felt in the year now current.

I shall now, with the permission of the Committee, put together the various remissions I have proposed, so as to bring them under one view. The relief upon the

small charges—that is, the loss for the current year—will be 143,000*l*. The relief to minor incomes will entail a loss of 300,000*l*. The relief to the consumers of tea will be 1,660,000*l*., but the loss to the revenue for the year will, as we estimate, be only 1,300,000*l*. The loss for the year, from a reduction of 2*d*. in the general rate of the Income Tax, will be 1,600,000*l*. The total loss for the year will be 3,343,000*l*. But I wish to call particular attention to the fact that a further loss of 898,000*l*., nearly the whole of it due to the Income Tax, with some small part from losing the minor charges on trade, will fall upon the financial year 1864-5. We thus incur a total loss, for the present year, of 3,343,000*l*.; but we ask the House to give its legislative sanction to changes, which, between the present year and the next, will bring about a loss of 4,241,000*l*. When I add to that total loss to the State the further relief which the consumer will derive from a part of the duty on tea being made up by increased consumption, it appears that the whole amount of remission of taxation, which you are to-night asked to take into consideration, is 4,601,000*l*.

The effect of these operations upon our estimated surplus will be as follows:—The surplus, as I stated it some time ago, with the addition of some small sums to be derived from intended legislation, amounted to 3,874,000*l*. The several branches of estimated revenue which I stated to the Committee will require to be rectified as follows:—The Customs, instead of 24,180,000*l*., will yield 22,737,000*l*.; the Income Tax, instead of 10,500,000*l*., will yield 8,675,000*l*.; and to other branches of the Inland Revenue must be added 58,000*l*. The total revenue has been estimated at 71,490,000*l*.; from that sum we propose to deduct losses by remission amounting to 3,343,000*l*. The total estimated revenue will therefore stand at 68,147,000*l*. The surplus, before deduc-

tions, was 3,874,000*l.*; and after withdrawing from it the sum I have named of 3,343,000*l.*, it will be reduced to the moderate sum of 531,000*l.* With this moderate surplus Her Majesty's Government do not propose to part; and for many reasons we trust that the House of Commons will support us in resisting any efforts, however well they may be meant, and from whatever quarter they may proceed, with a view to destroy or diminish it. We look to the state of the country, to the balance-sheets of past years, to the scale of our expenditure, and to the condition of the world: and, with all this before us, we feel that it would be inconsistent with our duty to acquiesce in the withdrawal of any of the resources which we have retained in order to constitute our surplus, and we confidently and earnestly appeal to the Committee for its unequivocal support against any attempt to wrench it out of our hands.

Now, Sir, with respect to our plan as a whole, it is not, at any rate, one which pretends to originality. The public had anticipated, in the main, the proposals we were about to make. That has not been owing, so far as I am able to judge (and I can form the judgment with some confidence), to premature disclosures, but simply to the state of the facts. The state of the facts, the bearing of the public interests, and events which had taken place in former years, distinctly indicated, within certain limits, what should be the course of Government, if it sought to do justice to the country, or to obtain the approval of the House of Commons. With regard to the tea duty, for example, in addition to other reasons which weighed with us, one was the prominent position, which had been given to the question in a previous discussion in this House, at an important political crisis. In 1860, it was the claim of the tea duty, which Her Majesty's Government thought themselves bound to weigh carefully

against the claim of the duty on paper; and again it was the claim of the tea duty which, in 1861, hon. Gentlemen sitting opposite deemed it their duty, as the strongest claim which could be made, to offer in opposition to the claim of the duty on paper. If there is to be a contest for the honour of ownership in the principal parts of this proposal, it may belong, perhaps, to those who first published them to the world; and I am not aware to whom it could be given with greater credit—for the Government are not disposed to contest the point of honour—than to my right hon. Friend the Member for Cambridge (Mr. Walpole). He last year proposed a Motion, which certainly came, at the moment, to an untimely and even a violent death. But it has reappeared, I trust, under happier circumstances, and it has formed the basis of the plan of the Government in its largest and most important parts. Sir, it is no motive of dissuasion to us, with respect to any financial proposals, that they should have already found favour in other quarters. If we felt bound, from regard to the interests of the country, to do now as we have done before, to pit in debate our proposals against those of others, and to contend stoutly and resolutely for them, we should not hesitate to adopt that course. But if the time has happily arrived when we are enabled, compatibly with and in obedience to our public duty, to submit to the House plans which have been already declared to be the favourite plans of others, we, so far from being deterred on that account from making ourselves the responsible proposers of those plans, are the better pleased to think that it is in our power, as we hope it may be on the present occasion, to unite in one firm intention the general sentiment of the House, and to secure its approbation, without distinction of section or party, to measures which we think are for the benefit of the country.

Such, Sir, is the state of the case with regard to the plans of the Government, and to any right of authorship in them. But before concluding I must make a further appeal to the indulgence of the Committee with reference to some observations that I submitted at the opening of my statement. On commencing that statement, Sir, I had to make, and I made broadly, the admission, not only that for the last four years our finances had been placed in a state of tension, but likewise that the degree of that tension had been somewhat enhanced, in consequence of the large remissions of duty which we proposed in 1860, and which were adopted in that year and in 1861. We are now, as I trust, passing out of what I have formerly described in this House as an exceptional period. And standing, I trust, at its close, I desire to explain with exactitude to the Committee the two following points; first, I wish to state what has been the general balance of our account of revenue and expenditure for the last four years, taken as one account; secondly, I desire, without seeking any revival of controversy, or impugning the opinions or conduct of others, yet respectfully to present to the Committee facts which, I think, demonstrate, that we have been justified by considerations of prudence and policy in asking Parliament on a former occasion, notwithstanding the vast amount of the expenditure and its pressure on our resources, once more to take in hand the prosecution, I may almost say the completion, of the great work of commercial legislation.

And first, Sir, as regards the account of the country for the last four years, I will place it before you in a form which is summary and comprehensive, but which I trust will be found intelligible to every one. The principle on which it is framed is strictly this; I place to the debit of the account everything in the nature of

special resource that we have consumed, and I place to the credit of the account all payments that we have made in reduction of the public Debt.

First, let me consider what to set down to the debit of the four years. Taking the income and expenditure of these four years as one year, there is a balance of deficit upon them amounting to 1,061,000*l*. Next, the special separate expenditure upon Fortifications, for the same period, has been 2,070,000*l*. Thirdly, the malt credits, taken up within these years, and not belonging to them as ordinary Ways and Means, have been 1,972,000*l*. These sums, together with a repayment from Spain of 500,000*l*., amount to 2,472,000*l*. I must, however, set off against receipts not belonging properly to this period payments which have been made within it, but which did not properly belong to it. Omitting any reference to a sum paid for the redemption of the State dues, these payments were of two kinds. There were drawbacks on duties abolished; or, in other words, reimbursements to the taxpayers of revenue received in former years, amounting to 795,000*l*. There were charges for the Russian war, and for a former war in China, amounting to 497,000*l*. Adding these together, I obtain a sum of 1,292,000*l*. as the total amount of my set-off. This leaves a balance of special receipts over special payments for the four years amounting to 1,180,000*l*. This sum, therefore, forms the third item to the debit of my account. Fourthly, I must take into view the repayments of Advances on account of Public Works as compared with the issues for the like purpose; and I find that the former are in excess of the latter during the four years by a total sum of 2,375,000*l*. Lastly, I must compare the state of the public balance, that is, of our cash with our bankers, in 1863 and 1859 respectively. At the date of March 31st in each year, I

find here for the fifth item on the debit side of the account a decrease in the balance amounting to 526,000*l.*: thus the total sum which we have consumed during the four years in order to meet the demands of the Public Service, and which we have not drawn in the regular manner from taxation, has been 7,212,000*l.*

Allow me here, as I have had occasion to advert to the state of the balance, to make a remark by way of parenthesis. It is my intention to submit to the House Resolutions, which will empower me to pay off, in the month of May, the million of Exchequer Bonds which will fall due at that date. This proposal is in no degree founded upon any such idea as that there is an obligation to liquidate debt of this description at a particular time, in preference to other debts; but simply upon the belief that it will be a convenient and profitable operation. More than this, we take into view the state of the country, especially Lancashire; and we shall ask the House to intrust us with power to reborrow that money, or any part of it, within the year, if need shall arise; but without any serious expectation, at the present moment, that we shall have occasion to exercise the power we seek.

Well then, Sir, 7,212,000*l.* is the sum which stands at the debit of the special account of the four financial years, from 1859 to 1863. Turning to the other or credit side of the account, we have from time to time made payments out of the balances for the redemption of debt, amounting in all to 1,883,600*l.*; but besides payments of this kind, the law provides us with a machinery silently and continually at work towards the redemption of the Debt, in the form of terminable annuities, whether upon lives or for periods of years. Upon analysing the public charge on account of terminable annuities for the last four years,

I find that the portion of it which does not represent the mere interest, but represents repayment of capital, may be stated at 5,501,000*l.* Thus, then, the total of the sums which we have paid out of the taxes of the country, during the four years, towards the reduction of debt, has been in all 7,384,000*l.*; while, on the other hand, the total sum which the same four years have enjoyed for their own uses, though not belonging to their regular income from taxation, has been 7,212,000*l.*; in other words, the two sides of the account have been as nearly as possible balanced.

But, in order fairly to estimate the operations of these four years, several particulars must be borne in mind. In the first place, we had to defray out of the annual income extraordinary charges, arising principally from two causes. We had to meet no less than 8,500,000*l.* of direct war expenditure, of which in round numbers 7,000,000*l.*, after allowing for half a million of indemnity, were due to the war in China, and nearly a million and a half to the war in New Zealand, and to the expences of the force sent to British North America at the close of 1861. I am not aware that at any previous period of our financial history an amount of charge approaching to this has ever been borne from the ordinary resources of the year. We have, secondly, had to meet heavy expences for re-construction or transformation in the naval and military departments. It is not easy to ascertain the precise cost of these operations; but if I compare those heads of the Estimates which embrace them for the years 1859-63 with the amounts of the corresponding services before those years, I find an excess—which, as I conceive, nearly represents the truth—of almost eight millions more. Thus we have a total sum of sixteen and a half millions, in round numbers, paid away during the

four years for war expenditure, and other purposes of a character highly exceptional.*

But, Sir, this is not all, for during those four years there have been brought into operation extensive and important changes in our commercial and fiscal laws; and the Committee will justly expect that after the varied experience of the period I should make a statement to them with regard to the condition of some branches of our trade. A portion at least, I may add, of the facts to which I shall call their attention, appears to me well to deserve particular and careful notice.

The repeal of the paper duty is a measure of which it is very difficult to trace the effects with precision. In point of fact, it is only by a very slow process that the consequence of repealing an Excise duty is usually developed. In the case of glass, soap, and other articles, it has been so; and I have no reason to suppose it will be otherwise in regard to paper. But it is remarkable, that although the diminution of the export trade in cotton has necessarily led to a great decrease in the consumption of paper used in that trade for the purpose of packing, which is usually a very large consumption, yet we have the evidence of a considerable increase in the consumption of paper in this country. There is enough of it, I conceive, entirely to justify the faith with which those, who urged the repeal of that duty, have looked forward to its probable results.

I am surprised, I confess, at the amount of foreign paper which has been imported into this kingdom. Our imports of foreign paper of all descriptions in 1856 were 15,767 cwt. In 1862 they were no less than 193,639 cwt. Those imports form very nearly 20 per cent. of what the total manufacture at home had grown to be, in

* Mention should also have been made of two millions, spent under the Fortifications Act of 1860.

the days of the Excise duty. But what is most satisfactory is that, together with this vast increase in the imports of foreign paper, there would appear to have been some not inconsiderable increase in the manufacture of British paper. We have no power now, as the House is well aware, of following minutely the amount of paper that is made in this country; but we are able to do two things. We can, first of all, follow carefully the amount of British paper which is exported; and, next, we can register and record the amount of the materials brought into the country for the manufacture of paper. The amount of British paper of all kinds, that was exported in 1858, was 115,491 cwt. In 1862, the first year of the repeal of the duty, the amount exported was 149,326 cwt., showing an increase of 34,000 cwt. And here, one word as to the import of rags; and I trust the Committee will not grudge a moment for this point, because it is really tragical, it is almost funereal, to look back upon the dark anticipations once entertained as to the almost total banishment, with which we were threatened, of that valuable article from the markets of this country. In 1856 the import of rags for making paper into this country was 10,287 tons. In 1860 it had risen largely—namely, to 16,154 tons. I am bound, however, to suggest that that increase in 1860 was probably due, in a very great degree, to the anticipations entertained, till about the month of June in that year, that the duty would be repealed. However, in the year 1862, the first full year of the repeal of the paper duty, the import of rags rose again, and reached to 23,943 tons. Thus, then, we had an increase in the export of British paper, and a large increase in the import of foreign rags, out of which British paper was to be made.

Something, however, which has occurred during the

past year with respect to the paper trade may seem to call for notice. What I am about to quote, I shall quote not in disparagement of the highly intelligent persons by whom the paper trade of this country is carried on, but simply as an illustration, so far as it may be of any force at all, of the operation of Excise duties upon a manufacture, into which science materially enters. The British papermaker at the International Exhibition of 1862 was on his own ground; the foreigner had to come here; and it is natural to suppose that the British manufacturer was at least as fully and, we may likewise assume, as favourably represented as the foreigner. At any rate, what was the state of facts in regard to the medals and honourable mentions, delivered, I conceive, by a competent and impartial jury? Eight medals, I believe, were awarded to British papermakers, sixteen to French papermakers, and fifteen to Prussian. That appears to me to be a significant and important fact with respect to the operation of Excise duties and restrictions on a manufacture, which gives great scope for the application of science.

As respects the article of wine, there has been a small increase of receipt, amounting to about 30,000*l.*, and the quantity entered for consumption has been increased by 109,000 gallons. The consumption of French wines has somewhat diminished during the year; a result at which I can feel no surprise, after the extraordinary increase that had taken place in the year immediately preceding. The consumption of Portuguese wines has likewise diminished, as has the consumption of wines from the Cape. The Spanish wines have fared best during the year, and they exhibit an increase of 290,000 gallons.

I come now, Sir, to consider a subject which is always of great, and which is also at this moment of painful

interest. I mean our trade with the United States. It is of great interest, because of its importance to the country; and it is at present of painful interest, because the reduction it has undergone bears melancholy witness to the secondary action of those far greater and more frightful calamities which afflict the continent of North America. And I shall likewise proceed to state the condition of our trade with France, because this is the first occasion of a financial statement, on which I have had it in my power to exhibit one full year of the working of the commercial treaty with France, and of the altered system that it introduced.

The value of British goods exported to the United States in 1859 was 22,553,000*l*. In 1862 it had fallen to 14,398,000*l*., and thus exhibited a decrease of 8,154,000*l*. The value of Foreign and Colonial goods exported to the United States from this country had, during the same period, increased. In 1859 it had been only 1,864,000*l*. In 1862 it had increased to 4,052,000*l*.; the augmentation was as much as 2,188,000*l*., but nearly the whole of it was represented by the single article of cotton wool, which amounted in value to no less than 1,721,000*l*. However, deducting the increase upon our Foreign and Colonial goods from the decrease upon our export of British goods, there remains an aggregate diminution in our export trade to the United States of about 6,000,000*l*.

I take next the case of our trade with France, and here it will be my pleasant duty to point to a very different state of things. The year 1859 was the last full natural year before the treaty of commerce. In that year the value of British commodities exported to France was 4,754,000*l*. In the year 1860 the treaty was concluded, and it took effect almost wholly as regarded our imports, but on a very few articles as

regarded our exports. The value of British goods exported to France in 1860 was 5,250,000*l.*, and thus showed an increase of about 500,000*l.* In 1861 the treaty took effect as regarded its provisions relating to the duties upon imports into France. It came into operation late in the year—namely, on the 1st of October. A very large augmentation appeared in our exports, but a part of this was due to the concurrence of a very bad harvest in France with a large supply of foreign corn in the markets of this country. In consequence, we sent a great quantity of corn to France, but in order to a more just calculation I shall not take this article into account. After striking off the sum of 1,750,000*l.* for an excess in the export of corn, I find that in 1861 the value of British goods sent to France rose to 7,145,000*l.* It thus showed an increase of 2,391,000*l.* over what it had been in the last year anterior to the treaty. Then came the year 1862, with the treaty in operation from its beginning to its close. The value of British exports during the year now rose to 9,210,000*l.* It thus showed an increase of 4,456,000*l.* In other words, the amount of British goods sent to France had about doubled under the operation of the treaty of commerce.

But the figures I have named by no means set forth the whole extent of the advantage which the trade of England and France has derived from the treaty, for an augmentation of exports still more remarkable took place in Foreign and Colonial produce, and I need hardly remind the Committee that the Foreign and Colonial produce, which we send to France, is something that we have ourselves obtained elsewhere in exchange for British produce. It therefore follows that every increase in the export of Foreign and Colonial produce from this country constitutes or represents effectively a

corresponding increase in the export of British manufactures. The value of Foreign and Colonial produce sent to France in 1859 was 4,800,000*l.*, whereas in 1862 it amounted to no less than 12,614,000*l.* Accordingly, the total amount of exports to France, which in 1859 was 9,561,000*l.*, had in 1862 gone up to no less than 21,824,000*l.* In fact, while we had a decrease in the total trade to the United States of 6,618,000*l.*, that decrease was a great deal more than made up by the increase in the trade to France, for the augmentation in the French trade was 12,265,000*l.*

It may, perhaps, be interesting to compare the case of our exports in woollens to the two countries respectively. To the United States in 1859 we sent woollens of all descriptions to the value of 4,502,000*l.*; in 1862 to the value of 2,711,000*l.*, showing a decrease of 1,791,000*l.* To France, on the other hand, we had in 1859 sent woollens to the value of 419,000*l.*; in 1862 we sent to France woollens to the value of 2,176,000*l.*; showing an increase of 1,757,000*l.*; an increase in that branch, which may be said to have filled up the entire void in our direct trade in woollens to the United States.

The deplorable effects of the cotton famine upon our general trade it is impossible for us to mitigate, so far as I am aware, by any measures of legislation; but in 1861, after the deficient harvest of the preceding year, we were enabled to show the powerful stimulus which had been imparted to the industry of the country, through its export trade, by means of the reduction and abolition of Customs duties which took place in the Session of 1860. And now once more, in 1863, we are enabled, during the afflicting pressure of the cotton famine, to point to similar and not less remarkable results, which, under Providence, we owe to the wise arrangements made with France, through the agency,

and owing, in a great degree, to the personal weight and credit, of my hon. friend the Member for Rochdale.

Now, Sir, I submit these facts to the Committee, not without the confidence that they may be held to justify the belief we entertained and acted upon four years ago ; this belief, namely, that it was matter of high public moment that we should, even amidst the embarrassments and heavy charges of that period, endeavour to enlarge the area of British trade, industry, and enterprise, by a reduction and remission of taxes judiciously selected for the purpose. I admit, that in order to make up for that reduction and remission, we were compelled to impose, for that single year, one additional penny in the pound of Income Tax, which would not otherwise have been required ; but I think few can regret that temporary and not very great addition to the Income Tax, when they consider that the effect of the legislation then proposed by the Government has been, in this period of severe trial to the industry of the country, to put in motion, and to keep in motion, not millions only, but perhaps even tens of millions, of that industry.

If the Committee can so far extend its patience as to bear with me for a few moments longer, I will now draw their attention to a statement which they will probably receive with interest, and perhaps also surprise.

The Income Tax has now been in operation for a period of nineteen years. It was imposed, partly with a view to supply a deficiency in the income of the country as compared with its expenditure, but in a great degree with a view to developing the trade and industry of the people, and thereby of bringing about an increase in the wealth and comfort of all classes of the community. After these nineteen years, and after a succession of different assessments, we are now in a

condition to form some judgment as to the additions that have been made, during that period, to the means and resources of the country. I have made it my study to examine the subject with as much precision and rigour of investigation, as its nature, and the means at my command, would admit. It may be that the statement I am about to submit may be capable of being further sifted in such a manner, as to modify in a greater or less degree its results. I do not pretend that it is infallible ; I am sure it is remarkable ; I believe it is substantially correct ; at least, I can say that no pains have been spared to make it so.

In order to be as near the truth as possible, I do not compare the entire Income Tax of 1862 with the entire Income Tax of 1843, but I compare the Income Tax of the two periods, *minus* that portion of each which only represents income proceeding from public taxation ; because it is quite plain, that if we have several millions added to the income of England from the growth of public establishments, that increase, whatever be its character in other respects, does not represent a corresponding addition to the real wealth of the country. Therefore, I take Schedule A, as representing landed property, railways, mines, &c. ; Schedule B, as representing farming profits ; Schedule D, as representing commerce and professions ; and so much only of Schedule E, as belongs to private establishments. This is the basis or area of taxation, upon which I have founded my comparison. I exclude Ireland altogether ; because Ireland was not taxed in 1842, and its appearance would, therefore, only disturb the computation. I also exclude incomes below 150*l.*, for the same reason.

The Income Tax, at 7*d.* in the pound, in the year 1842-3, attaching to Great Britain only, and in Great Britain only to incomes of 150*l.* and upwards, was

assessed upon an aggregate amount of income, in the schedules I have named, reaching 156,000,000*l*. Upon the very same area, with the same limitations, in 1860-1 the amount of assessed income was 221,000,000*l*. Further, I am not aware that there has been any change in the machinery of the tax, or any improvement in the powers of levying the tax, as compared with the powers of escaping it, that will in any material degree account for the difference. On the contrary, certain concessions and relaxations have from time to time been enacted by the Legislature, which, as far as they go, would rather tell in the opposite direction. The difference, however, amounts to no less than 65,000,000*l*. of annual income; or two-sevenths of the whole annual taxable income of the country within the area described. That is a most remarkable result; but there is a certain feature of that result which, when carefully examined, is yet more remarkable; and that is the accelerated rate of increase in the latter portion of the period. I again invite the attention of the Committee for a few moments. I will now compare two terms of years; one of them before 1853, and the other since 1853, the year when the basis was altered. In ten years from 1842 to 1852 inclusive, the taxable income of the country, as nearly as we can make out, increased by 6 per cent.; but in eight years, from 1853 to 1861, the income of the country again increased, upon the basis taken, by 20 per cent. That is a fact so singular and striking, as to seem almost incredible. [Sir JOHN PAKINGTON: Australia!] Australia! Oh, no; I must not at this hour offer to the Committee a dissertation on the true effect of the discoveries of gold; but in passing I may say I grieve to see that, in regard to that matter, my right hon. friend is evidently lost in the depths of heresy.

If I may presume, Sir, to refer to the causes of this

vast increase of wealth, I would suggest two in particular. First of all the enormous, constant, rapid, and diversified development of mechanical power, and the consequent saving of labour in so many forms, and to so vast an extent, by the extension of machinery; in this, I of course include the modern means of locomotion. But the extension of machinery, by steam power and otherwise, has, speaking generally, been in active operation, together with the economy of labour it begets, for the last hundred years. There is another cause, which has been more or less actively at work during the lifetime of our generation, and which especially belongs to the history of the last twenty years. I mean the wise legislation of Parliament, which has sought for every opportunity of abolishing restrictions upon the application of capital, and the exercise of industry and skill; and has made it a principal object of its policy to give full and free scope to the energies of the British nation. To this special cause appears especially to belong most of what is peculiar in the experience of the period I have named, so far as regards the increase of the national wealth.

Such, Sir, is the state of the case as regards the general progress of accumulation; but, for one, I must say that I should look with some degree of pain, and with much apprehension, upon this extraordinary and almost intoxicating growth, if it were my belief that it is confined to the class of persons who may be described as living in easy circumstances. The figures which I have quoted take little or no cognizance of the condition of those who do not pay income-tax; or, in other words, sufficiently accurate for general truth, they do not take cognizance of the property of the labouring population, or of the increase of its income. Indirectly, indeed, the mere augmentation of capital is of the utmost advan-

tage to the labouring class, because that augmentation cheapens the commodity which, in the whole business of production, comes into direct competition with labour. But, besides this, a more direct and a larger benefit has, if may safely be asserted, been conferred upon the mass of the people of the country. It is matter of profound and inestimable consolation to reflect, that while the rich have been growing richer, the poor have become less poor. I will not presume to determine whether the wide interval, which separates the extremes of wealth and of poverty, is less or more wide, than it has been in former times. But if we look to the average condition of the British labourer, whether peasant, or miner, or operative, or artisan, we know from varied and indubitable evidence that, during the last twenty years, such an addition has been made to his means of subsistence, as we may almost pronounce to be without example in the history of any country and of any age. And this, Sir, is a result of the causes I have described, upon which it is impossible to look without feelings of the liveliest satisfaction. For it must always be borne in mind, that when we speak of the expenditure of the Government, we speak of that which is taken in great measure out of the earnings of the people, and which forms in no small degree a deduction from a scanty store, which is necessary to secure to them a sufficiency, I do not say of the comforts of life, but even of the prime necessities of food, of clothing, of shelter, and of fuel. Scarcely in any country, scarcely in any period, have the earnings of the labouring community availed to secure to them in these primary respects even real sufficiency, much less general abundance. And if we have been enabled, by proceedings of ours, taken within these walls, to raise the standard of comfort, and to diminish, if not to do away with, the fearful gap which existed

half a century ago between the absolute necessities of the labouring man and his means of supplying them, we have accomplished a work for which the name of the Parliaments of this our age will be blessed to the latest generation. It was about twenty years ago, when Sir Robert Peel, Prime Minister of this country at the time, referred with the greatest authority to the devouring effects of the Naval and Military expenditure then maintained by the Governments of Europe. I am afraid, Sir, that since the period at which he felt called upon thus to speak, the evil has grown not less, but more intense. In no quarter have those establishments diminished, in few are they stationary, in almost all they have increased. The natural consequence has appeared in the financial condition of almost every country; and speaking generally, it might be said, without any gross exaggeration, that deficit has become a rule. Nor need I dwell upon the evils, political and social, and not financial only, which permanent or even frequent deficit entails. In some countries, for example in France, great efforts have been made to mitigate the mischief, and retrieve the ground; but although authority, talent, energy, and skill are known to have been employed for the attainment of the object, it yet remains to be seen in what degree these efforts are likely to succeed. Italy, again, to take another instance, with her destinies as a nation still hanging in the balance, appears—probably from the necessities of her position, but not on that account the less unhappily—to be accumulating debt from year to year, with a rapidity which may well make her best and fastest friends tremble for the future. It would be easy to enlarge the catalogue of instances; perhaps, however, I have said enough of finance abroad. But I observe with pleasure that the Finance Minister of France, in a discourse which he recently addressed to

the Senate, has spoken in condemnatory terms of what he calls the expenditure of emulation. He expresses the hope that this expenditure, due not to the wants of each country, but to the mere rivalry of one country with another, is likely to be diminished; and surely it is easy for every right-minded man fervently to re-echo the prayer. I am unable, indeed, to deny that a certain relation must exist between the general expenditure, and especially between the defensive and military expenditure, of the different countries of Europe. In framing the Estimates of Public Charge for the year, it has of course been the duty of Her Majesty's Government, first and most of all, to keep in view the honour, the interests, and the security of the country; and next to that honour, those interests, and that security, the deliberate judgment given by the House of Commons in the course of the last Session of Parliament. But subject to these considerations, as I trust I may also say, both on my own behalf and on that of my colleagues, it is to us matter of additional satisfaction, after reading the eloquent denunciation of the Finance Minister of France, if, while we submit a plan which offers no inconsiderable diminution of the burdens of the people, we can also minister ever so remotely to the adoption of like measures in other lands; if we may hope that a diminished expenditure for England will be construed beyond the Channel as the friendly acceptance of a friendly challenge, and that what we propose, and what Parliament may be pleased to accept, may act as an indirect yet powerful provocative to similar proceedings abroad. Gratifying it must ever be to the advisers of the British Crown that the British people should enjoy an alleviation of their burdens; but, over and above the benefit to them and the satisfaction to us, there will be a further benefit, and a further pleasure, if we may hope

that we are allying ourselves with and confirming such tendencies as may exist elsewhere in behalf of peace, of order, and of civilization, and that we are assisting, in however humble a degree, to allay unhappy jealousies, to strengthen the sentiments of reciprocal good will, and to bring about a better and more solid harmony among the greatest of the civilized nations of the world.

I now, Sir, place in your hands the first of the Resolutions ; that relating to the increase of the duties on Chicory.

SUPPLEMENT.

I.

SPEECH ON THE SECOND READING OF THE CUSTOMS
AND INLAND REVENUE BILL, IN THE HOUSE OF
COMMONS, THURSDAY, MAY 16, 1861.

The CHANCELLOR of the EXCHEQUER rose and said,—

SIR, I have listened with great satisfaction to some of the statements of my right hon. and gallant friend (General Peel). My right hon. and gallant friend commenced by saying that the surplus, that is, the prospective estimate of a surplus, must, as a matter of fact, for the guidance of the proceedings of this House, be assumed to exist. He has, likewise, given his assent to the principle which it has been my duty to lay down, and which, although it has been received by some hon. gentlemen as though it were an unheard-of novelty, is really little more than a financial truism; namely this, that it is the duty of the Chancellor of the Exchequer to make provision during the year for the charges likely to become payable during the year; and that it is likewise his duty to make provision for no more than those charges, with the usual and reasonable margin of estimated surplus. And my right hon. and gallant friend also said, with candour and fairness, that he does not dispute the application of the surplus, because he considers that that matter has now been settled by the vote of the House. After these just observations, he proceeded to ask me certain questions as to military charges, which I will notice in detail. My right hon. and gallant friend says, and I agree with him, that it is a great evil that we should have from time to time to deal with unclosed accounts, involving very large sums, between the Indian and the British Governments. He knows well, from his own experience, that the reformation of a system of this kind is a matter that

cannot be effected in a day, or even in a year; nor will I undertake to say at what precise period the accounts between the two Governments, relating as they do to operations which have been or may be carried on at a distance of 15,000 miles, will be brought into such a state as shall be thoroughly satisfactory with respect to promptitude and clearness. All I have to observe in mitigation of his apprehensions upon the subject is, that when I say that vast sums of money are involved in these accounts I do not say that all these sums are in the nature of unsettled charges; on the contrary, the balances of accounts that may be still outstanding may be comparatively small, although the accounts themselves may be very large. Moreover, I ventured to say, and I repeat now, that, as far as I am able to give information, there never was, or rarely has been, a time when the state of those accounts has been more favourable to the British, as compared with the Indian Government, than at present. Now, as to the particular questions of my right hon. friend; I find, from reference to the accounts of the revenue, that no further sums have been paid to the Indian Government since April 1; nor has any payment been made within that period from the Exchequer, under the head of the Vote of Credit for China. Therefore, as far as I can take upon me to speak, without express reference to any one for precise and late information, my impression is that the total payments to the Indian Government stand where they did, at the time when I stated them as having been between 1,100,000*l.* and 1,200,000*l.* That statement included payments which had been ordered at the time, but which, as I have been informed, although they were not actually made for a day or two after, have been, nevertheless, included in it. My right hon. and gallant friend also asked me, whether any payments have been made on account of claims of the East Indian Government previous to the late China war? Yes, Sir; if I remember rightly, near 450,000*l.*, speaking in round numbers, was a claim provided for under the Vote of Credit in July last; a charge, which my right hon. and gallant friend says I must have been aware of in February, but which, as far as I can judge, I had no means of being aware of at that time, it being dependent upon a settlement of our accounts with others, which were then, I imagine, dragging their slow length along, in a correspondence between India and Great Britain; and I had no means of knowing when that correspondence would reach such a

point as to establish the validity and the amount of the claim. I am not aware of any other payments, still I will not say absolutely that none have been made. Again, my right hon. and gallant friend challenges me as to the provision made for an excess upon the army Votes, and states that, in his opinion, upon certain Votes there will be a great excess. I must leave the explanations upon those points to my hon. friend the Under Secretary for War, but I shall take the liberty to make one remark. My right hon. and gallant friend feels great apprehensions that the provision we have made for the public expenditure is very unsatisfactory, and will make a considerable inroad upon the surplus; and yet, strange to say, he gave his authority, and the weight of his name and example, in conjunction with 280 other gentlemen, to a vote which would have taken away from our surplus 285,000*l.* more than we proposed to take from it. I think that last criticism of his will require some explanation from my right hon. and gallant friend, when he next addresses us upon this subject.

I do not propose to enter now into any of the personal matters which have occurred in the course of this debate. Some of them, relating to myself, I think I shall do best to pass by both now, and also hereafter, if they should be repeated, in absolute silence. There are others—such as the impeachment by the right hon. gentleman the Member for Buckinghamshire, of what I said upon the subject of the public expenditure, and his citation of former declarations by me as to the present duties upon tea and sugar—which I place in quite a different category. I think those are fair matters of attack and controversy; and it is only my respect for the House, and my unwillingness to occupy its time in personal explanations, that prevent me at the present moment from entering at large into those matters; but I will venture to state my conviction, that I could well prove to the House, by simply recalling facts and former statements in full, that the declarations cited as having been made by me in 1857, on the subject of the tea and sugar duties, are in entire accordance with the language I have used, and the proposals I have made, upon every subsequent occasion. I pass that subject by, however, for the present, as a matter of personal controversy, which, on such an occasion, is not worthy the attention of the House.

I now come, Sir, to what is indeed the proper, or at least the

principal, subject of the present discussion. And I shall make no apology for proceeding to notice at some length what is called the constitutional principle applicable to the present question ; because I cannot but feel that I have some especial responsibility, as the Minister of Finance, both for the plan of the Government now before the House, and for the particular mode of arrangement that has been adopted in presenting that plan, and in carrying it forward. At the same time, I do not touch upon this question for any such reason as that further argument upon it is necessary ; for let the House recollect how the weight both of argument and authority thus far has run. My hon. friend and colleague (Sir William Heathcote), having given a hostile vote with hon. gentlemen opposite upon the subject of the Budget, as a financial plan, has told us to-night, and has supported his opinion by reasoning, that he thinks the mode of presenting the financial scheme as a single measure, which we have adopted, is a sound and constitutional method of proceeding. He has, likewise, authoritatively informed us, that he gives that opinion not only in his own name, but in that of his and my right hon. friend the Member for Cambridge University (Mr. Walpole), whose deliberate judgment and calm mind must have the greatest weight in this case, because he was last year the Chairman of the Committee appointed by the House to consider the subject, to which he applied himself with the greatest diligence. My right hon. friend the Member for Carlisle (Sir James Graham), who last year took a view of the rejection of the Paper Duty Bill by the Lords rather similar to that of gentlemen opposite than to mine, cordially approved, and has powerfully supported in argument, the plan of the Government. And, lastly, I am bound to say that we are acting upon the direct invitation, and under the direct authority, of the right hon. gentleman the Member for Buckinghamshire (Mr. Disraeli). I do not desire to quote nor to speak of anything except of that which is matter of history ; and I have not heard the right hon. gentleman opposite forswear the opinions, which he largely and deliberately expressed last year, in the debates on the Resolutions proposed by my noble friend the First Minister, and unanimously adopted by the House. I am not surprised to find, that the issue has not been distinctly raised by the leading Members upon the other side ; because if it had been so raised, and if the course pursued by the Government were to be challenged,

I should claim, and shall claim, the vote of the right hon. gentleman the Member for Buckinghamshire. Nevertheless, I think it will be well to take more particular notice than has yet been taken of the propositions, which were so clearly and so ingeniously laid down by the hon. and learned gentleman, the Member for Sligo (Mr. Macdonogh). I must say, with the opinion I entertain of the poverty and barrenness of materials which the hon. and learned gentleman had at his command, I can the more conscientiously pay him a very sincere compliment for the manner in which he has handled these scanty, and, indeed, miserable materials. I have no doubt he recollects, as surely we must all recollect, with what inimitable skill, when the Master of Ravenswood was in distress at the town of Wolf's Crag, his old retainer Caleb Balderstone, having no provisions of any kind in the house, did nevertheless undertake to serve without notice a first-rate banquet; and I do not think Caleb Balderstone himself could, either in diligence, in hearty goodwill, or in success, have surpassed the operation of the hon. and learned gentleman. Now, as he has dealt so fairly with the case, and has laid down his opinions in distinct propositions, I will endeavour to meet him with distinct propositions also. I concede to him, as has been done by my right hon. friend the Member for Carlisle (Sir James Graham), his first proposition, that there is no instance upon record of a financial Bill once rejected by the Lords, and afterwards sent to them from this House, and passed by them in a Bill of Supply. I make that concession freely and without reserve, but I call upon the hon. and learned Member for a reciprocal concession, that not only is there no instance, but there could not possibly be such an instance, because there never has been a case of rejection by the House of Lords of any financial Bill, at all resembling, in its essential characteristics, the rejection of the Bill for the Repeal of the Paper Duty.

Passing onwards from that secondary point, I do not think I need detain the House by discussing at length the question of "tacking," which is now well understood. In the early history of this country, "tacking" was a common practice. When the House of Commons was weak, when the privileges of the House were but partially established, they made use of it as a weapon, and perhaps in some sense, and in those times, as a legitimate weapon, of self-defence. Possibly it may be observed with truth,

that we retain a very faint relic of that state of things in the rule which still prevails, that when it is proposed to grant Supply to Her Majesty, or when the Motion is made to go into Committee of Ways and Means, for the purpose of making good the Supply, any discussion, however apparently irrelevant, may legitimately, and conformably to rule, be raised by any Member of the House. On the general subject of "tacking" I think we now entirely understand one another; and I make this concession to the hon. and learned gentleman, that when Her Majesty's Government shall come down to the House, and shall attach and append to a financial Bill some proposition with which it has but a slight and casual, but no substantial, conformity, I admit he ought to be, and I hope he will be, found in his place to expose so monstrous an attempt; and, no doubt, with the excellent case which he will then have in his hands, he will in any such contingency gain over us a very conspicuous and easy triumph. But such is not the nature of the proposition before the House, as it has been justly stated by my hon. and learned friend who lately spoke. The present question is, whether joining together in one Bill proposals essentially homogeneous can, by any amount of ingenuity, or any intensity of prejudice, be confounded with another case which is essentially distinct, but which is the very point assumed by the hon. and learned gentleman who opened the debate; I mean the case, in which the proposals joined together are such as have no kind of natural cohesion.

Let me now look at the instances cited by the hon. and learned gentleman; because, although he has taken great pains, I do not think he has taken all the trouble necessary to obtain a full mastery of the subject. It was not likely, I am afraid, that the hon. and learned gentleman would have done me the honour to consult me on the best mode of ascertaining what had been the practice of the House of Commons, with regard to the combination of financial subjects in a single Bill: but, had he done so, I should have been obliged to advise him to go through precisely the same process which I myself have undertaken, or rather undergone; namely, to look over the titles of all the statutes passed since the Restoration, and then, selecting from the mass those which have reference to finance from year to year, to observe for himself, in each particular instance, the component parts of those statutes. Though that operation is not an agree-

able one, I am quite certain that the hon. and learned gentleman, if he had performed it, would not, and could not, have made the speech which we have just heard from him.

I will now take his main propositions founded on the particular cases which he advanced. He quoted, I think, first a case of 1676, where the effect of a vote of the House of Commons—before the Revolution—undoubtedly was to decide against the combination of a grant of money with an Appropriation Bill; and the first point which he laid down was, that no such combination could properly be made. But I hold in my hand a list of no less than eighteen Acts of Parliament—the titles of which are at the service of the hon. and learned gentleman, if he likes to peruse them—all of which are in the eighteenth century, since the Revolution, and every one of these combines grants of money with the appropriation of the supplies of the year. So completely was the hon. and learned gentleman misled by having—as he thought luckily, but as I think for his purpose very unluckily—hit upon an old case, in which a Vote was passed contrary to the well-established practice of later times and to more matured constitutional principle, that he has overlooked the mass and crowd of cases from periods of greater authority, which I do not doubt might be greatly enlarged, all of them going directly in the teeth of his own first fundamental proposition. I will give but a single example in lieu of many. The 10th of *Anne*, cap. 36, begins by granting an augmentation of duties; then goes on to grant new duties; then enacts various matters for the regulation of trade; and ends by appropriating the whole of the monies granted in that Session of Parliament. This specimen disposes, I think, pretty completely of the case of 1676, and of the principle founded upon it.

Then the hon. and learned gentleman dwelt largely on another case, which I venture to think he had not sufficiently examined, and with respect to which he was evidently misled by the first aspect of the words which he read: I mean the case of 1807. In connection with this case, I find another of the hon. and learned gentleman's propositions was, that you could not combine a grant of money in a taxing Bill with provisions relating to Exchequer Bills. The hon. and learned gentleman found operations connected with Exchequer Bills referred to, and he naturally jumped to the conclusion that they were financial operations; he saw also that they were, in the course of the pro-

ceedings, disconnected from the other portions of the measure, and that the Bill was reintroduced in a different shape, and he, accordingly, laid down that to combine operations in regard to Exchequer Bills with taxes was a "tack," and could not be permitted. Here, again, I can only say the hon. and learned gentleman is in the most distinct contradiction to the established practice of Parliament as shown by many Acts, with a list of whose titles I can supply him if he chooses. The Act of the 8th of *George the First* is one of them. In these Acts the granting of taxes is combined in the Act itself with full authority to levy Exchequer Bills; that is to say, to contract debt on the part of the country. Now what is the true explanation of this matter? In the very interesting case of 1807, of which the hon. and learned gentleman, if he will allow me to say so, has entirely mistaken the purport, a constitutional question of considerable magnitude was involved; namely, the attempt to combine certain provisions of a purely financial character with other provisions for removing doubts, which in that instance had arisen, with reference to the legality in point of form of certain Exchequer Bills. There are persons in this country—there certainly is at least one noble Lord, in whose estimation no small part of the merit and virtue of the British Constitution consists in those provisions of the law, under which an independent authority, at the head of the office of the Exchequer, is established by way of check on the financial proceedings of the Treasury. Be that plan important in the highest degree, or be it ever so unimportant, it is no doubt capable of argument that it is in principle a controul of great moment upon the Executive; and that, it being established by law, any alteration of the law is not a financial matter, but is one on which the House of Lords is entitled to as full and as free a judgment as the House of Commons. Now, the case which had arisen was this. Lord Grenville, being invested on the part of the Exchequer, as holding the office of Auditor, with that responsible duty of checking the Treasury, happened himself to become head of the Board of Treasury, and great doubt arose how far he, or any person authorized by him, could be permitted to sign Exchequer Bills, which were issued from the Exchequer under the authority of the Treasury. The question raised was evidently one of law, nay, perhaps of constitutional law; and it was as distinct from finance, although it happened to touch on Exchequer Bills as its accidental subject matter, as if some man

had been on his trial in a court of justice for forging Exchequer Bills, which certainly would not have been a matter of finance. That, Sir, is the true interpretation of the case of 1807.

But the hon. and learned gentleman laid down another and a third principle; namely this, that we could not combine in one and the same Act of Supply the grant and the repeal of taxes. There I meet him, in the first instance, by referring to the declaration made by the hon. and learned gentleman (Mr. Rolt) who followed him on his own side of the House, and of the debate, and who stated that he had examined the statutes for the first twenty years of the present century. Why the hon. and learned Member limited himself to so short a range I do not know; but I am satisfied with the result of his inquiry; for he discussed this question of the grant and repeal of taxes, and said that, in the course of those twenty years, he found eighteen or twenty cases in which taxes had been granted and repealed by the same Act. If the hon. and learned gentleman, the Member for Sligo, wishes for particular instances, they can be supplied to him in abundance.

In point of fact, everything that is done by this Bill, in the way of combination, is entirely supported by precedent. But much more also is supported by precedent, than is done, in the way of combination, by this Bill. I will give, first of all, to the hon. and learned gentleman, certain cases, where the grant and the repeal of taxes have been combined together in a Supply Bill. In 1695 there was a repeal of duties on coal, culm, and tonnage; other duties were granted in the same Act. In 1777 there was a grant of duties on servants and on glass, and there was a simultaneous repeal of another set of duties on glass, and of duties on certain persons and bodies corporate. In 1798 the great case occurred where Mr. Pitt repealed the assessed taxes, and in the same Bill granted the income tax. In 1807 there was a repeal of duty, in Ireland, on beer and ale, together with a grant of various duties, showing a combination of the grant and repeal of taxes; and instances, I believe, might be multiplied almost without number. Let us, however, to make short work of it, look at two cases separated by one hundred years, to show the immense range over which this power of combination, and the exercise of it, extend; and I must here say I think there is great force in the doctrine of my hon. friend the Member for the University of Oxford (Sir William Heathcote),

who says that no precedent, with respect to the powers of the two Houses in matters of finance, can possibly surpass in importance those drawn from the reign of Anne, following as it did upon the reign of William, when the great contest as to the Irish forfeited estates had raged between the two Houses, and when the House of Lords, with a view to the legitimate defence of their privileges, had found it convenient to adopt a Standing Order to prevent the practice of "tacking." At no time can you find a more exact criterion than at that time, to determine what is and what is not objectionable in the combination of different provisions in a financial measure, as demonstrated by the proceedings of both Houses, embodied, with their joint consent, in statutes of the realm. Here, then, is a Bill of Supply of the 7th of *Anne*, c. 8. The Bill begins by continuing, that is by granting, duties of a very important character on wine, tobacco, and other articles; having done this, it goes on to repeal duties on the export of copper and brass wire; it next authorizes the issue of Exchequer bonds to the extent of 612,000*l.*; and having thus dealt with the unfunded debt, it next touches the funded debt by authorizing a loan of 645,000*l.* to be contracted; it then enacts various clauses of regulation, into the details of which I need not enter; and it ends with appropriating all the monies given in that Session of Parliament. There is no one form of financial operation material either to revenue, or to expenditure, or to the contraction of debt, which is not comprised within the limits of that Act of Parliament; an Act passed when the minds of men were still warm and fresh with the remembrance of conferences between the two Houses on the subject of "tacking," and on their respective jurisdictions in matters of finance. Well then, Sir, there is the other case, separated from this one by a century; and it is the only other case with which I shall trouble the House. It is that to which reference was made by my right hon. friend the Member for Carlisle (Sir James Graham). It is most material to remember that we are not, by the present Bill, going to the extreme of our powers at all; we are doing simply what is required by the circumstances of the case; and we are not only not going beyond, but we are stopping much within, the precedents of the best times of the Constitution. In the year 1808 an Act was passed, that begins by granting certain duties on malt, sugar, tobacco, and snuff. It also repeals certain taxes on offices and pensions; and, further, it regrants for the

year certain of the duties that it had just before repealed. The Act, therefore, combines granting, repealing, and granting anew. And even that is not all. It combines fiscal subjects, which belong respectively to different departments; it combines the duty on sugar (a great duty of Customs), with the duties on malt and tobacco, which were great duties of Excise; tobacco having been at that period a duty of Excise. It combines the indirect taxation of Customs duties, with the indirect taxation of Excise duties; and it also combines both with the direct taxes on pensions and offices. The precedent, then, is positive and clear on every point, as it includes a combination of subjects larger than ours, and proves that we might have introduced other points in entire consistency with former practice.

I admit that it would have been a serious matter to lay down any precedent in this case, such as might hereafter be found to wear the character of innovation. I think the proof from precedent, on the side of our proposition, is complete and absolute. I do not allow that there is a single case mentioned by the hon. and learned gentleman which amounts to more than this (and so much as this no one disputes), that the plan of a combination of proposals differing in themselves, but all of them financial, has been variously pursued, according to the varying circumstances of different periods. At the same time, while we speak so much of precedent, yet we must not shrink from a consideration of the principles involved in the measure. A respect for precedent is idle and unimportant, unless some rational object be kept in view.

I think the remark of the right hon. Member for Bucks last year was wise and irrefragably sound, when he said that the method of presenting the different propositions of the financial plan to the House at the same time was a method distinctly for the advantage of the House of Commons. It is impossible to conceive a closer tie, than that which unites the various provisions of the present Bill. For they are nothing but items in the same sum, and the constituent members of one account, some standing on one side, and others on the other; nor can the merit or demerit of each be understood, unless it is viewed in connection with the rest. Further, I say the advantage of the course we have now pursued has been shown, first of all in the fact that last year it was found necessary by independent Members to combine in one Motion things that were separate according

to the proposals of the Government; of course I allude to the Motion of the hon. Member for Somersetshire (Sir William Miles); and also secondly, by the fact that this year it has been open to any gentleman opposite to make his choice from the whole series of Resolutions, which have been submitted to the House—a privilege to which all are entitled—and to select for himself the point on which he will make his attack. It is only right that the party in Opposition should have that advantage; and I believe that the mode pursued by the Government is the best calculated to secure it, just as the right hon. gentleman the Member for Buckinghamshire most properly urged last year that it would be. But undoubtedly there is more in the case than this. I am not about to enter into any discussion as to the nature of the proceedings taken in the House of Lords last year. I have already heard several hon. gentlemen on the other side of the House express their gratitude to the House of Lords for the course they then adopted; and really I must say that, in this bad and imperfect world, gratitude thus disinterested is a sentiment at once so ennobling and so rare, that I should be exceedingly loth—nay, I could not find it in my heart, in any manner to interfere with or obstruct its expression. So then I can excuse myself on that ground, and on other grounds, for not referring at this juncture to the conduct of the House of Lords. I do nothing at the present moment except that I discuss, not the privileges merely, but, as associated with the privileges, the duties also, of the House of Commons. Let me now attempt to state in a few words the whole question. It is really this; and it arises out of the Resolutions passed by the House last year. Because the first Resolution proposed by my noble friend at the head of the Government was, “That the right of the granting Aids and Supplies is in the Commons alone, as an essential part of their constitution.” It is not only inherent in them, but, according to the Resolution, it inheres in them in such a manner that they cannot part with it except at the expence of their vitality itself. Further, we have proceeded to say; “and the limitation of all such grants as to matter, manner, measure, and time, is only in them.” Now, let us pay due attention to the words, “as to time, is only in them.” Public convenience, and considerations of expediency connected with trade and commerce of the country, have led by degrees to the practice of passing permanent Acts for the collection of taxes; and the

doctrine laid down by some is this, that when once the House of Commons has committed itself by passing a permanent Act, it has entirely foregone and surrendered that right and power of limitation, which it unanimously asserted last year; its right and power of limitation of Aids and Supplies to the Crown in respect of the time for which they are to endure. We are told that it has then made a grant for ever; that it has alienated once for all the privilege, which, by a prior part of that Resolution, we declare to inhere in us as an essential part of our constitution. Now, Sir, if that be so, it is quite clear that the House of Commons, by its own unanimous and solemn declaration, stands seriously maimed; and the question arises whether it will not be fitting for the House of Commons to resume those powers which they have declared to belong to them; to resume, of course, in a regular and constitutional manner, the exercise of powers, which they still possess, and which they declare to belong to them in such a manner, as to be in their nature both entire, and also inalienable. If you look at the matter practically, what is it? The question at issue—if, indeed, any issue is to be raised, a point as to which as yet we have not been informed—the question is, whether it is to remain in the hands of the House of Commons alone to adjust, in the regular annual course, the income and charge of the year? Now, Sir, the doctrine upon which all our financial proceedings, until last year, have been founded, has been this: that such, and no other, has been the exclusive right, and not the exclusive right only, but the exclusive duty, and exclusive burden, of the House of Commons. Is this charge capable of being divided between the two Houses of Legislature? Is such a course practicable? Does it strengthen, or does it destroy, our responsibility to the people? Can it lead to anything but mischief or confusion? I consent for the moment to look at it merely in the utilitarian point of view; and for the moment I make no appeal to the spirit of the House of Commons, and to its sense of the high duty of preserving the privileges it has inherited. But is it practicable that you can bring two separate, distinct, and independent bodies, such as the two Houses of Parliament, each of them to exercise separate judgments on the separate parts of the financial scheme of the year, and yet not lead to utter confusion and to every absurdity in theory, every mischief in practice, as the result? One consequence of it would be this. Heretofore the finance of

this country has upon the whole been creditably distinguished from that of other countries; and consequently the credit of the country has been raised to a height never known in other countries; for there has been a principle of unity in its management, and the controul of public money rests with the representatives of those who pay the taxes. But if we break up this rational and effective system, tested by a long and various experience, hereafter all this benefit will be lost; and we shall probably at last be compelled by utter extremity of difficulty, in consequence of the surrender of our rights and the abandonment of our duties, to return to the ancient system which (I am supposing) we shall so rashly have given up.

I proceed, Sir, to another point which, I think, is well worthy of the consideration of the House. It is said on all hands, that the House of Lords do not claim the power of amendment. That is commonly stated, but is not literally true. The House of Lords has never given up the power of amendment; and I must say I think they are perfectly right, in declining to record against themselves this or any other such limitations of their privileges. Because cases might arise in which, from the illegitimate incorporation of elements not financial into financial measures, it might be perfectly wise and just for the Lords to fall back on an assertion of the whole breadth of their privileges, according to the largest view that they have ever taken of them. I believe I am strictly correct in saying that the House of Lords have never abandoned, by any corporate and formal act of their own, the right of making Amendments in a financial measure, sent to them from this House. But though the House of Lords as a body has not abandoned it, yet it has been abandoned by speakers in the House of Lords, the highest individual authorities in the House of Lords, who may in some sense be called the representatives of that assembly for such a purpose; and they have admitted, that the power of amending the financial measures of the House of Commons is a power which they do not hold. And here, Sir, what I have to say is this. In my opinion the House of Commons would be very much safer if the House of Lords did claim and exercise the power of amendment, than it would be if, without recognizing that power of amendment, we should continue to send up our financial measures piecemeal. For how stand the two cases respectively? Suppose that the House of Lords made an Amendment in this or that Bill for im-

posing duties; at any rate, it comes back to us; and we have, when it comes back, the power of taking our own course for ourselves. But if, on the contrary, we strip the Bill into shreds and patches, and send it to the other House in so many pieces, how do we stand? Not only does the House of Lords revise our legislation—that it could do by its power of amendment—but, when it rejects one of a series of measures we have passed, it in effect revises without appeal; and it is not simply that our finance is not passed into law, but something else, some finance which is not ours, is passed into law, and we remain, so far as the Bills are concerned, without any obvious means of remedy or redress. Therefore, it seems to me that we have here before us a matter of very grave consequence, and one on which there ought to be no misunderstanding, and no shadow of doubt, in the House. Do we, or do we not, claim the right and duty of granting aids and supplies to the Crown, or, in modern language, of adjusting income and charge, as a right pertaining to us, and to us exclusively? Do we, or do we not, adhere to, and believe in, our own Resolutions? If we do claim it, I must say it seems to me that the course now adopted by the Government, the presentation of its plans for consideration and for decision as a connected whole, besides being by far the most convenient for freedom of discussion in the House of Commons, is likewise the most advantageous, and, let me add, the most respectful and considerate mode, among modes promising to be effectual, which we can adopt with regard to the House of Lords. But if we do not claim any such power of exclusively regulating the income and charge of the country, then I hope some hon. gentleman will move to rescind the Resolution that we passed last year. Either of those courses is perfectly legitimate and intelligible—I will not say as to one of them that it is consistent with our past proceedings, but it is in itself logical. And as the hon. and learned Member for Sligo was not a Member of the House which passed that Resolution, it is perfectly fair, even in point of consistency, for him to give notice of a Motion to remove that Resolution from the journals, and to substitute something of an opposite character. But what I hope will not be done is this; to flinch from declaring plainly what is meant; and to take small objections to the plan of the Government; and to speak in vague and general terms of the valued privileges of the other House of Parliament, which I admit are as sacred, and which are, I believe, as im-

portant to the balance of the Constitution, as are our own. I can draw no distinction between them in point of importance. The powers of this House must remain greater, on the whole, than those of the House of Lords; but I believe that to infringe the privileges of the House of Lords, or to cripple the functions of that august assembly, would be as fatal to the balance of the Constitution, as would be the loss of the privileges of this House itself. But do not let us resort to mere vague declamation on this subject. Let us know what we are about. As I understand this Bill, it is one which, without being intended in any manner to rouse even the recollection of any irritating question, is intended, and is also calculated, to give the House of Commons security in the possession of certain powers, which are, and which we last year declared to be, absolutely necessary for the discharge of one of its primary duties. That, I think, is a fair description—at least so far as I am concerned—of what I take to be the meaning and object of the Bill. That is at least the description given by us the authors of it; do let us have a similar description of what is intended by those who object to it. Do let us know what you mean; and tell us whether you hold that there is no distinction between matters of general legislation and finance, and that it is as much the duty of the House of Lords to revise and alter the financial legislation of the House of Commons, as it is for them to revise and alter any ordinary legislative measure in its progress through Parliament? Such plain speaking, as I have just described, would be a mode of proceeding which would enable us to know what we are about. Because, I must observe, that, except my right hon. friend the Member for Stroud (Mr. Horsman)—and he certainly excited, I believe, great sentiments of satisfaction in some, who entertained the same opinions, but who had not the courage to speak them—except my right hon. friend the Member for Stroud, there was not a man in the House of Commons who, during the discussions of last year, laid down that doctrine, or who questioned that it was the exclusive duty of the House of Commons to regulate the income and charges of the country. They contended, and so far as mere words go, they contended with truth, that the House of Lords exercised a right which, as to its form at least, the Constitution has, beyond all doubt, placed in their hands. But the right hon. gentleman the Member for Stroud says of this Budget, as he has said of many

other things, that it finds no favour in his eyes; and, in addition to its other demerits, he says it gives a mortal stab to the Constitution. I want to know, to what Constitution does it give a mortal stab? In my opinion it gives no mortal stab, and no stab at all, to any Constitution that we are bound to care for. But, on the contrary, so far as it alters anything in the most recent course of practice, it alters in the direction of restoring that good old Constitution which took its root in Saxon times, which grew under the Plantagenets, which endured the iron repression of the Tudors, which resisted the aggressions of the Stuarts, and which has come to its full maturity under the rule of the House of Brunswick. I think that is the Constitution, if I may presume to say so, which it is our duty to guard; and which, if indeed the proceedings of this year can be said to affect it at all, will be all the better for the operation we are engaged in performing. But the Constitution, which my right hon. friend worships, is a very different affair. The Constitution laid down by my right hon. friend began with this—"There is to be no vital division of function and office"—if I understood him rightly, and if not he will correct me—"between the House of Commons and the House of Lords, with regard to fixing the income and charge of the country from year to year, both being equally responsible;" which simply means, that neither will be responsible at all. Now, so far as that Constitution is concerned, with great respect for the abilities and candour and ingenuity of my right hon. friend, I at once confess my strong conviction, that the sooner it receives a mortal stab the better. I say, then, that, in point of form, the Bill which has been presented by the Government to the House is perfectly correct; and I cannot conclude without expressing my full conviction that, in point both of numbers and of authority, it will be found to have the very general assent and approval of the House. I am convinced, likewise, that it is not less likely to receive the approval of the country. Nor do I speak of a merely temporary and passing favour, for I believe it will be approved by its deliberate judgment, as being conducive to the best, that is to say the permanent interests of the nation, and as being a proposal and a plan conceived in the very spirit which the Constitution itself recommends.

II.

SPEECH IN COMMITTEE ON THE CUSTOMS AND INLAND REVENUE BILL, CLAUSE 3, RELATING TO THE EXEMPTION OF CHARITIES FROM INCOME-TAX, MONDAY, MAY 4, 1863.

The CHANCELLOR of the EXCHEQUER rose and said,—

SIR,—In proceeding to redeem the pledge I have given to the Committee, that I would state fully the nature and grounds of the proposal of the Government with respect to Charities, I shall address myself exclusively to the main question. It is one of quite sufficient difficulty, magnitude, and importance to justify a separate discussion. I shall altogether decline to embarrass myself, and I think also to embarrass the Committee, by entering upon peculiar cases, which may be urged upon peculiar grounds. The question which, on the part of the Government, I wish to raise, is simply this: whether the law shall be modified, which at the present moment extends to bequests for charitable uses an immunity, as I shall show, from all direct taxation whatever; while, at the same time, very heavy charges have been undertaken by the State, on behalf of the charities thus founded by individuals in the exercise of their own free, and sometimes arbitrary, discretion. The general question of dealing with these endowments is one, which I shall not perplex by asking myself whether one or two cases, such as the Patriotic Fund, where we have to deal, as to the main part of the Fund, with temporary and expiring arrangements, ought to be included in the scope of this proposition, or ought not. I shall not even discuss whether the provisions we have made, for saving what is termed the “vested interests” of actual holders of the fruits of charities, are sufficient or otherwise. The discussions that have taken place, and the information that has reached me, lead me to believe that those provisions will require but very little modification. It is, however, my intention to propose in the fourth clause of the Bill to insert a certain qualification of that enactment, which obliges

trustees to draw from any other funds that may be in their possession, rather than to make a deduction or abatement, in respect of the income tax, from the sums paid out in small doles. It is my intention to propose to insert words to prevent the burden of that enactment from falling on the residue, in cases where that residue has been, either under deed or customarily, disposed of in salaries, because there are certain classes of cases which may probably require some provision of that kind. In the same manner, an important question has been raised as to certain limited amounts, which are held, by way of reserve, on behalf of funds that are in the main dependent upon voluntary contribution. This is a question which, as I think, it will not be difficult to settle. But I wish, for the present, neither to discuss nor to prejudge it. It is a question wholly distinct in principle from the rather large, and as I think, very important question, to which I am about to invite the special and indulgent attention of the Committee.

Now, Sir, as to the proposal itself which has been made by the Government, it would be absurd in me to affect ignorance of the amount of opposition to it, which has been excited in the country, and which, by a process that is perfectly legitimate, has found, and is likely to find, abundant expression in this House. The conviction of the Government is, that the proposal they make is a wise one; that they are offering a mild and temperate compromise; one equitable, and even lenient in a high degree, as respects the mass of charitable property; and, moreover, that they are offering a compromise upon a matter which is quite certain to grow to such urgency, before any very great length of time, as almost by compulsion to invite hereafter the attention of Parliament; perhaps at some more critical moment; and probably for purposes, in divers respects, much more stringent than any to which the assent of Parliament is now invited. Having that opinion, I at once, on the other hand, make the admission to the Committee, that this is not a proposal which either can be or ought to be carried, if, indeed, it were possible that it should be carried, unless with the free and deliberate sanction of this House. It is not a proposal, in respect to which the influence of an Administration, to any greater or any lesser degree, ought to be brought to bear. This, which is obvious to all in regard to such a subject, is freely admitted by the Government. But we are under the belief that this is a question almost

new to Parliament and the world; and that the facts which it contains, and the reasons which can be brought to bear upon it, ought to be brought out into the light of day; and I have that confidence in the fairness and justice of the Committee, which induces me fearlessly to appeal to them for a candid hearing of the statement which I am about to submit to their notice.

I have said, that this is a question upon which, up to the present time, no verdict of Parliament has been taken. I may be told, and I have been told here and elsewhere, that the authority of Mr. Pitt and of Sir Robert Peel can be quoted against me. I demur to that assertion. The income tax of Mr. Pitt was a personal income tax; and it was hardly possible, by its machinery, for him to have got at the revenues of corporations. The first endeavour made by him, and the endeavour most consistent, in the abstract, with the principle of an Income Tax Act, was an endeavour to obtain a return from individuals in respect of their real property just as of their personal property. It was by Lord Sidmouth, and not by Mr. Pitt, as I consider, that some kind of authority was first given for the exemption of charitable institutions from taxation. But I am bound to point out, that upon the subject of charitable institutions, little or nothing was known at that period; except one thing indeed, and that is that their state was one shameful to those by whom they were administered. This point has been placed upon record, and from no reforming or radical authority; for Lord Eldon, in a case before the Court of Chancery, in 1807, says—

“It is necessary to be perfectly understood that the charity estates all over the kingdom are dealt with in a manner most grossly improvident, amounting to the most direct breach of trust.”

And here I must advert, for a moment, to another point. It is very difficult to assert a negative as to what may be contained in the voluminous records of Parliament; and therefore I should be slow to assert that the matter of charities is one which never has been discussed; but the only discovery that I have been enabled to make of any discussion upon the subject is the record of a very short debate in 1812, when Sir John Newport proposed to repeal a tax, which is sometimes quoted as a tax upon charities, and which has, in certain cases, a limited bearing upon them, but which, as a general rule, is not to be considered as a tax imposed

upon them, for it is a tax upon estates; namely, the 10 per cent. payable upon legacies bequeathed to charities. On the 23rd of January, 1812, Sir John Newport moved for leave to introduce a Bill to exempt all bequests for charitable purposes from that duty. He was opposed by Mr. Perceval; who observed that it was not advisable to recognise the policy of encouraging bequests of the description alluded to, that is to say, death-bed bequests; because a person on his deathbed might give to a charity that portion of his property to which his immediate relations were entitled, and the Legislature was not called upon to become auxiliary to the wishes of such persons. That is the only declaration which has come under my notice, although others may possibly have been more fortunate in their researches.

Then we are told that Sir Robert Peel is to be quoted as an authority for this exemption, simply because he did not remove it. Sir Robert Peel was a man who, before he undertook a work, was in the habit of measuring his strength to perform it. He had enough to do in removing from the Income Tax Law a multitude of exemptions, which he did remove. And I can well conceive (but I might perhaps venture to say more), that Sir Robert Peel refrained from mooted that, of which he disapproved in his heart, because he did not think it wise to undertake more than it might be within his power to perform. There was the exemption of foreigners, which he abolished; there were also a mass of other exemptions of the most complicated character embodied in the former law; all of which he swept away. And the opposition which he had to encounter, in carrying his Income Tax Bill through the House, showed that he had undertaken as much as it was possible for him to carry into legislative effect. But I am told that Sir Robert Peel was against the extension of an income tax to charities. Why, Sir Robert Peel actually proposed, by one of his Bills relating to charities—by a Bill introduced by Lord Lyndhurst, on behalf of Sir Robert Peel's Government, in the Session of 1845—he proposed a tax of 6*d.* in the pound upon charities; a tax within one penny per pound of the sum that would have to be paid at the present rate of income tax. The same objections were made then, as now. The objection, in point of fact, is not so much to the paying much or little, as to paying anything. The demand is for total exemption; and I will presently show what total exemption means. For it is to

the principle and working of that exemption, and to the nature in general of exemptions, that I wish to call the attention of the Committee.

In the first place, it is hardly possible to overrate the consequences produced upon public opinion by the misuse of words in deliberative discussion; and I must venture, with the greatest respect, to suggest that there can hardly be an instance more marked of the truth of that proposition, than in the magic charm carried by the term "charities" in reference to the exemption from income tax. What are these charities? I will venture to say, in the first place, that nineteen-twentieths of them at least—and I believe that to be an under statement—consist of what were originally death-bed or testamentary bequests. Now, death-bed bequests in most countries are, I believe, to a considerable extent, restrained by the law. In our own country they are restrained by law when they take a particular direction. It is generally, and I think justly, considered a remarkable illustration of the latitude, with which freedom is left to the will, and even to the caprice, of individuals in this country, that no attempt has been made to limit the amount of choice, of discretion, or of indiscretion, with which individuals may bequeath property to what are termed charitable uses. ["Hear, hear!"] But, notwithstanding a cheer that proceeds from an hon. Friend of mine opposite, I confess I am sanguine enough to anticipate an assent to my proposition when I say that what a man wills on his deathbed, when he can no longer keep it in his own hands, is not charity in the same high and sacred sense, nay, I will venture to say, it is not charity in that only legitimate and strict sense, in which the gift of money can be charity, and which the word carries when a man gives what is his own to give or to enjoy. Upon a deathbed, I do not deny that a man may have laudable motives; but, on the other hand, I am sorry to say that sometimes he has motives which are not at all laudable. But let the motive be what it may, the fact remains; a man is giving in a particular manner that which it does not rest with him to retain. There is not a particle of the charities of the country, properly so called, that is not taxed. Every voluntary gift of the living, everything saved by every man, everything recovered or gained, and then liberally bestowed, though it be the fruit of the most consummate prudence and thrift, nay, it may be of the severest self-denial, if only it be taken out of an income which the giver might himself have

enjoyed—all is taxed, and taxed without the smallest favour or regard. The charities of England are taxed; but bequests in England, for what the law terms charitable uses, are relieved from taxation. Those two things are in their nature totally different. For charity, properly so called, there must be a giver as well as a receiver; and, wherever there is a giver as well as a receiver, taxation is imposed without mercy or remission; but where there has been, as in the overwhelming majority of instances, a deathbed or testamentary bequest, whatever that disposition may be, saving only purposes plainly absurd or immoral or specially prohibited, the law steps in and accords a preference, that would much more naturally be due to the alms of the living. I have said already, that I do not admit that the 10 per cent. charged upon legacies is a tax upon charities. I conceive that in every case, except the single and very rare case, where the whole estate is bequeathed for charitable purposes, it is a tax upon the estate itself. If a man desires to give a particular sum to a particular charity, he gives it free of legacy duty; or if he gives it without any such condition, he knows well that it is subject to the 10 per cent. deduction; and therefore the fair inference is, that it is his intention to give 10 per cent. less than the sum he names. I must say I do not think it is very wise for the State to give special and factitious temptations to making deathbed bequests. If it be thought fit that the unexampled freedom hitherto allowed by the law of this country should continue, let it continue. I do not condemn; I do not complain. But there let us stop.

I proceed all along upon the assumption—nay, more than the assumption, upon the assertion—that an exemption is a gift. If that is contested, we differ on first principles; but I think it is not a bold, or, at all events, not an audacious demand that I make upon the reasoning faculties of the Committee, when I say that what the State remits to a man, it gives to him. If a gentleman has carriages and horses, he is liable to pay a guinea for each horse, and two pounds and upwards for every carriage; and, if those sums be levied from his neighbour and not from him, it is the same thing as a return of duty would be; the same thing as if, having been levied, they had been given back to him. I dispute the general wisdom of giving these temptations to men, by gifts of public money, withheld from the common stock in the Exchequer, to endeavour to immortalize themselves as

founders. ["Oh, oh!"] I may be wrong, but I respectfully state that opinion, in accordance with the liberty of debate which exists in this House. And in what manner is it that we act? We tell a man that he may gather wealth, and that he may enjoy the accumulation without stint till his death; and that, together with that enjoyment, he may also enjoy the merit of almsgiving, by making a will which shall not take one tittle from the pleasure of possession and accumulation, nor from his personal enjoyment, but which shall operate after his death; so that without the smallest effort, or the most minute surrender, he may achieve the fame of being the founder of this or that institution; while, if he had gone through the tame and commonplace process of providing for others while he was alive, his name after his death might have been consigned to obscurity. I quite admit, that there are many pardonable, and even some laudable, motives, which may impel a man to leave bequests of that nature; but these men will have perfectly free scope if you leave them to act according to their discretion, without adding a special inducement, in the shape of a premium from the public funds. It is to this addition of public money that I object; and it is to this addition that I desire to direct the attention of the Committee. I am free to confess that this is a point which, especially while unexamined, may admit of much difference of opinion; but a payment of public money for the purpose I have stated, which payment can only be obtained by levying it off the rest of the community, appears to my Colleagues and to me to be wrong in its principle, and dangerous in its consequences.

I observed, Sir, something like a sneer, when I spoke of some of those bequests as likely to take in various cases a direction that was not satisfactory; and the views I have stated seem to some to be remote and visionary. Sir, I am cognizant, within my own limited sphere, of a case in which a sum of 150,000*l.* of personalty was left for charitable uses, from no other cause whatever than the aversion of the testator to his immediate relatives; I say from no other cause whatever. The real property of the testator was left away from the relatives, to a stranger, for the same reason. The relatives, by a kind of desperate effort, endeavoured to impeach the will on the ground of insanity; and naturally enough they failed. Here is another case: I hold in my hand a letter, which I received a few days ago, from a gentleman who pays income-tax on a professional income; an

income of that class which, with reference to the Income-tax, usually and properly excites the liveliest sympathy in this House. He states that a person lately deceased, whom we will call by his initials J. D., through the peculiar construction of a will, obtained a fortune which had been intended for his elder brother. This elder brother died, and left a child. J. D. also died; and by a codicil, executed a few days before his death, he gave the whole of his property to a public charity. I put it to the House that such so-called charities as these are no charities at all: and beyond all question are objects, which it is neither politic nor just for the Legislature to encourage with gifts of the public money. I deny the justice of such a state of law. I do not say the State ought to interfere with individual discretion so far, as to intercept such bequests; the high value I attach to the principle of liberty prevents me from adopting such a doctrine; but I say, not only that it ought not to add to those bequests by gifts of public money, but that, when it does so, it commits an offence against the interests of the public, and against the laws of justice as they bear on the entire community.

The case, then, of the “charities” of England as they are called, that is to say, of endowments for charitable uses, is that they are generally untaxed. There is an enormous exception, however, to this proposition in the case of the bequests for religious uses, which are taxed. On what principle of consistency such a difference is to be justified, I do not know. Perhaps you think those charitable bequests are untaxed because what are called “charities” are generally distributed in sums under 100*l.* a year. But the law is, that if the so-called charity is distributed in sums over 100*l.* a year, still it is exempt from taxation. There are cases of men having much more than 100*l.* a year, and, those incomes being paid out of charities, according to the legal construction of charitable uses, these men are exempt from taxation in respect of so much of their income as may be derived from a charitable source. The State has, however, long thought that with respect to religious endowments, it was desirable, owing to their nature, to pass laws with a view to limit their growth; such laws, for instance, as those for the emancipation of leasehold estates, and for the commutation of tithe. There have been no such enactments with regard to charitable bequests; and what some of these bequests are, and how well they would justify some restraint, we shall presently see.

I will not now, Sir, detain you by speaking at large of the minor inequalities in the law, such as its unequal distribution in the three countries respectively. My hon. Friend the Member for Clonmel (Mr. Bagwell) rose the other night, and told me that this proposal of the Government would be resented in Ireland. Certainly, I am at a loss to see why a proposal to change the existing system should be resisted in Ireland. It can only be in consequence of some very peculiar view; for, while that country pays 7 per cent. of the income-tax, she only receives, as far as I can learn or conjecture, about 3 per cent. of the exemption. It follows, that for every hundred pounds withheld from the Exchequer by this exemption, Ireland has four pounds to pay to England and Scotland, over and above what she receives. Hence one result of this system is that inequalities are created in the distribution of the public charges between the two countries. I do not wish, indeed, to dwell upon matters of that kind, which are not of great magnitude. I do, however, lay great stress upon what I consider this great anomaly and inequality; namely, that no proof whatever of monies expended in charity by the living is admitted as a ground of exemption from income-tax, while proof of monies so expended, if under the disposition made in a will by the dead, is received as a ground of exemption.

It is to be observed, that a considerable change has taken place in modern times. A very small share of the benefit of this exemption falls to the lot of present testators. In the vast majority of cases, the testators who now make bequests to charities are contented with simply giving money to institutions, which depend mainly on voluntary subscriptions and donations; so that instead of remaining in the nature of an endowment, the sums which they bequeath pass away with the annual expenditure of the institutions in whose favour they have been left. New cases of such charities as those of which I chiefly speak, almost the whole of which have come down from times more or less remote, are now of comparatively insignificant amount. But in former times they were common; and it is to these remains of former times, these dispositions of persons long dead, that in practice we may be said almost exclusively to accord an entire immunity from taxation. The next question is, what is the cost to the state of these exemptions? It is time we should consider whether the Legislature is to accord to these posthumous

bequests a pecuniary premium at the expense of the rest of the community; for a positive pecuniary premium or State-subsidy it is: and I aver distinctly, that by according it that premium, the Legislature becomes in a degree responsible for all these bequests. It becomes a party to every one of them; and if there are among them those which are useless—those which are questionable—those which are mischievous—those which are even scandalous—every one of those is endowed with a portion of public money, and for the bestowal of public money we are responsible. Perhaps it will be said that the operation of the present system is insignificant in its effects on the finances of the country. It will be well, at all events, to see what even in this respect it appears to be and to do. The income of the United Kingdom from property may be estimated with considerable approach to accuracy from the returns for income-tax. Of course, deductions must be made for those parts of the Schedules, which do not represent independent property, but only income. There must also be deducted from Schedule D as respects the trading class, and from Schedule B, an allowance for whatever is derived from manufacturing or agricultural or professional skill and enterprise, as apart from capital. With these deductions, the income of the United Kingdom from capital may be roughly stated at from 180,000,000*l.* to 190,000,000*l.* a year. Of that about a sixtieth part, or at least 3,000,000*l.* a year, is probably possessed by charities so called, in the legal sense of the term. Now the aggregate taxation imposed by our fiscal system on property, with the income tax at 7*d.* in the pound, amounts to about 13,000,000*l.* a year. Of that sum the principal item is the income tax, yielding somewhat more than one half of the whole amount. The next is that cluster of duties which, for convenience, may be called death duties; namely, the duties on successions, on probate, and on legacies. The remainder is derived from the house tax. From all these taxes, charities, so called, are entirely exempt. The value of that exemption from the taxation laid upon other property, taking the proportion between the income of charities and the total income of the United Kingdom, is about 216,000*l.* a year. Besides that, there is a large and likewise a growing charge imposed upon the public for the sake of these charities, to superintend their management, to perform for nothing operations which would cost them money, and to keep the grosser

abuses in check. I will not now enter into the minute details of the charge. As far as regards the sum of 18,000*l.* a year voted upon the Estimates, it is obvious to the House. That sum is an increasing one; and there are several items of annual outlay, which it does not comprehend. For example, it does not include superannuations, nor the cost of offices; it does not include any sum on account of the 500,000*l.* which the State has been compelled to lay out within the last fifty years in order to examine into the state of things described by Lord Eldon as a gross and general breach of trust, and in order, if possible, to bring about an improved condition of affairs. To reimburse the State for its outlay upon charities would, I think, require an annual charge upon them of certainly not less than from 40,000*l.* to 45,000*l.* The 216,000*l.*, which I have mentioned as the amount of their exemption from direct taxation, amounts to about 7 per cent. upon their income. The reimbursement of the pecuniary charge laid upon the State would amount to $1\frac{1}{2}$ per cent. more. The total amount of the exemption which they enjoy is therefore $8\frac{1}{2}$ per cent., and the amount of the total cost to the State is fully 250,000*l. per annum.* That amount is, in fact, part of it directly, and most of it indirectly, a portion of the State expenditure. But if this latter is a portion of the State expenditure, I ask the Committee to consider why it is to be kept up in so strange a form? For many years, we have been passing Bills and adopting administrative provisions, with a view to bringing the whole expenditure of the State, from time to time, within the controul, and under the eye, of the House of Commons. If this money is to be laid out upon what are called charities, why is that portion of the State expenditure to be altogether withdrawn from view, to be shrouded within the folds of the most complicated sections of our Acts of Parliament, and to be so contrived that we shall know nothing of it, and have no controul over it; so that, while to every other object recognised by the State as fit to be provided for out of the public funds, we apply, and for the most part apply every year, a vigilant eye with a view to modification or retrenchment, here we maintain from year to year and from generation to generation what we are pleased to term an exemption, that is to say a public grant, but a public grant which we never investigate, and never weigh. We plume ourselves upon our liberality; we leave this great expenditure entirely in the dark; we waive in favour of these

institutions, not only the receipt of a certain sum of money, but the application of all those principles of philosophical and practical administration, and of constitutional controul, which we consider necessary for the general government of the country and the management of our finances? Ought we to act thus? This is an important question. I should like to know what would have happened if, in 1842, when Sir Robert Peel proposed the income-tax, he had proceeded in some such terms as these: "For convenience sake, and for the sake of knowledge and of supervision, we think it wise that the eye of the State should be kept upon the administration, of charitable bequests. The income-tax, therefore, will on this double ground be levied upon all their property, irrespective of their charitable character. But we think the fund a sacred one, and we are not disposed to interfere with it. The estimated amount of the income-tax leviable from these sources would be 100,000*l*. A levy will be made upon the property of the respective institutions, but in order to make good what we have thus taken away, we shall propose, as part of our miscellaneous expenditure, to vote annually 100,000*l*. on behalf of these charities." Suppose Sir Robert Peel had made that announcement; and suppose again that instead of mentioning 100,000*l*. as the amount of the exemption from the income-tax alone, he had been able to tell us the whole present state of the case. Suppose that at this moment we were to say, "We will levy all the taxes upon the property of charities, as upon all other property; but because you think that death-bed bequests ought to have accorded to them a premium which you do not accord to the alms of the living, therefore, from year to year a sum of 250,000*l*."—which I am certain is within rather than beyond the total amount of the actual charge—"shall from year to year by vote of Parliament be distributed among these charities." Why, every man knows that such a vote would not stand the scrutiny of a single debate, or a single year. It would be pulled to pieces more relentlessly, and more mercilessly, not to add much more effectually, than the present proposal of Her Majesty's Government. You would have it alleged, in the first place, and with some truth, that a multitude of these charities are positively bad, injurious, demoralising; poisoning and sapping the principles and the independence of the poor; not one jot better, in many cases, than those old Poor Law doles which, at an epoch

of courage and of wisdom, the House of Commons swept away in 1834, under the guidance of Lord Grey's Government. The second point made would be the capricious, doubtful, and questionable nature of many more of these charities. The third would be that, even were these charities unobjectionable, and certain in all cases to do good, they, unless they could show very extraordinary claims for public endowment, should not be exempt from those taxes, which are exacted from all classes, poor as well as rich, in order to promote the common good of all by maintaining the government of the country; and the residue, with respect to which you would be disposed to vote grants of public money, would not, if indeed there were any residue at all, come near one-fourth, no, nor one tenth part of the charities, that are now in the enjoyment of this exemption of 250,000*l.* per annum.

I must say, Sir, that I have been struck on this occasion by the skilful manner in which the charitable army, so to call it, has been marshalled. At all such junctures, there is a great deal in the homely proverb of putting the best foot foremost. I have hardly heard a word since this proposal was made, except about the very best of the charities. The poor men that are to be dismissed from St. Bartholomew's, the orphans of the clergy who are to be sent away from their institution, the wives of Dissenting ministers who will lose their grants of 30*l.* or 40*l.* a year—all these sounds have rung in my ears; I do not complain of that; but it is on account of these institutions, and of others like these, that we are quietly asked to continue this promiscuous gift of a quarter of a million annually. I think it has been told of some Generals, who have been among the most skilful tacticians, that they have done much by a judicious distribution of their army. Sometimes one may go to a review, and find the tall and the strong men in the front rank, while behind them there are persons of very inferior material and dimensions. Sometimes, I believe, battles have been won by having old women and boys judiciously dressed up, with the proper colours, and at the proper distance, and the moral effect has been what it was intended to be. So, in this case, what may be called the shameful, and what may be called the doubtful charities, have been kept in the shade, and have maintained a judicious reserve. Therefore, it is necessary that we should have some attempt, however rapid and partial, at an analysis of these

foundations. For it is quite impossible that the Committee can attain to any clear idea of what we are about without such an analysis; and I think that when I have made that analysis, whatever the Committee may think of the proposal of the Government, they will say that we are not now inviting them to adopt any extreme proposition in the lenient compromise we are about to propose.

I am going to divide charities, for the purpose of this inquiry, into three classes; the small charities, the middle charities, and the great charities; assuring the Committee that I do this, not for the sake of abstract symmetry, but for practical convenience, and because it will be found that the subject not unnaturally falls into those divisions. In the class of small charities, I include such funds of the large charities as are distributed in very minute amounts; for all such minute payments fall within the scope of the observations I am now making. By middle charities, I mean those which generally administer relief in money, dealing with stipends of 20*l.*, 30*l.*, 40*l.*, or 50*l.* a year, and distributing them, for the most part, among decayed gentlefolks, widows and orphans of poor clergy and Dissenting ministers, and other persons generally within the middle social regions. The larger charities require separate consideration. But what, on the other hand, are we to say of the small charities? Sir, I say without hesitation, that there is scarcely one among them—a few there may be, but they are totally insignificant and infinitesimal—which, if we proposed in their favour a vote of 5*s.* in this House, would have that 5*s.* granted to them. Do not let me be pressed with the casual exceptions. I want to speak of the bulk of these charities; and I say, without hesitation, that if, as a mass, they deserve the toleration of this House, it is the very utmost they do deserve, and that to bestow upon them a public endowment, is, when carefully examined, as gross an act of injustice as could well be committed by the Legislature. I ask again, what are these small charities? They are, for the most part, charities for local poor and for local education; and it is with respect to these charities that I say that if they deserve the toleration of the House—that is to say, if they deserve that perfect freedom shall be given to a man to leave his money to them under whatever circumstances—it is the utmost that they do deserve. That is not my individual opinion alone. Three times have these charities been the subject of inquiry;

and the Charity Commissioners of Lord Brougham, the Poor Law Commissioners of 1834, and the Education Commissioners appointed some four or five years ago, all condemned them, and spoke of them as doing a greater amount of evil than of good, in the form in which they have been established and now exist. I received to-day a deputation—if, indeed, that word be adequate to describe the body, whether I consider its numbers, or the materials of which it was composed; I leave it to others to say what it was; but the Bishop of London was a member of that deputation, and its demand was that the exemption, which now exists, should be continued such as it is at this moment. The immediate predecessor, however, of the present Bishop of London was a Poor Law Commissioner in 1834; and in that capacity he had to deal with the question of these local charities for the poor. As a Commissioner, in 1834, he took part in the Report of the Commissioners, and in it he attached his signature to these words:—

“In some cases, charitable foundations have a quality of evil peculiar to themselves. The majority of them are distributed among the poor inhabitants of particular parishes or towns. The places intended to be favoured by large charities attract, therefore, an undue proportion of the poorer classes, who, in the hope of trifling benefits to be obtained without labour, often linger on in spots most unfavourable to the exercise of their industry. Poverty is thus not only collected, but created, in the very neighbourhood whence the benevolent founders have manifestly expected to make it disappear.”

That was the Report of the Commissioners in 1834. I need hardly go back to the Report of the Commissioners of 1818; and I do not suppose it will be thought necessary that I should bring fully before you the Report of the Commissioners in 1861. But, considering the astonishment that seems to be manifested on the other side at my having stated that the existence of these minor charities was a doubtful matter in point of principle, I trust the Committee will excuse my fortifying myself with authorities to show that what I have now been saying, whether it be right or wrong, is not an exhibition of mere individual *ipse dixit*. In page 519 of the Report, the Commissioners speak as follows:—

“The hand of living charity is held out only to present need; it promises no periodical alms to indolence and importunity; and if it necessarily somewhat impairs the spirit of independence, it produces goodwill and gratitude. The ‘dead hand’ of the founder of an annual dole does not distinguish between the year of prosperity among the labouring classes, and years of

distress ; in prosperous years, it leads those who are not in need to represent themselves to be so ; it holds out annual hopes to improvidence ; it more frequently excites jealousy and ill-feeling than goodwill, both on the part of the recipients towards the distributors of the charity, and among the recipients themselves. For one person who receives substantial benefit from these doles, many feel their demoralizing effect. At Salisbury, for five vacancies in the list of pensioners on one charity, there were sixty-two applicants, all of whom had probably nursed expectations more or less subversive of their industry, and used importunities more or less subversive of their self-respect."

I want to put before the Committee, as far as I can in a general and rapid sketch, the real state of this case. We have a variety of towns particularly, and also certain country parishes, with so-called charities for their poor ; and I wish to know upon what ground of justice the parishes which have no such charities for their poor—and in England those parishes are numerous, while the great bulk of the parishes in Scotland and Ireland are in that position—I wish, I say, to know upon what ground all these parishes, which have no such charities for their poor, are to be called upon to add money out of their own pockets, in order to enlarge the endowments of those favoured parishes in England ? A more extraordinary and clear injustice than that, in my mind, cannot be conceived. I will take another case. An hon. gentleman opposite, the member for Tewkesbury, the other night, using language which I confess provoked from me a smile more than anything else, said that I betrayed my duty as a Member for the University of Oxford because I proposed a tax upon charities, by far the greater portion of which belong to the Church of England ; thus propounding the doctrine that I, as Chancellor of the Exchequer, am under an obligation, before proposing a financial measure, to ascertain whether the fiscal incidence of that measure would be favourable or otherwise to the pecuniary interests of the communion to which I belong, and to adopt or reject it accordingly. However, accepting the challenge of the honourable Gentleman, I will take a class of charities which exist more or less all over the country ; I mean charities to be dispensed upon the condition of attendance at church. I have seen, and probably we all have seen, the working of these charities. I do not hesitate to say, that they form the subject of great misgiving and concern to some of the best men who have to administer them. They approximate to what I must call a sort of spiritual bribery, since they operate

as an inducement to men to go to church for the sake of receiving temporal alms. It is a fact, of which there is abundant evidence in this book, that most of those, who go to church for these purposes, are not usually seen there at any time but on the occasions when the spiritual food is to be supplemented, as Scotchmen say, by something which finds a shorter way to their perceptions and their appetites. I refer to the effect of these charities upon the tone of the population, because I feel that their practical working amply justifies me in the assertion I have made, that these small charities, considered in the mass, have no claim whatever to any indulgence or endowment, beyond the toleration and protection which are afforded to property in general. Let me now cite an instance or two. I believe there is no city in this country, which is richer in these charities than Coventry. Well, was there ever a case of a city where, upon the first arrival of distress, the labouring class were so rapidly and so entirely laid prostrate? Compare the case of Coventry, where these charities abound, with the case of the towns of Lancashire, in most of which they are comparatively few. Distress appears in Coventry; and, before it has been there a month, the whole country is solicited, and solicited with too good cause, to subscribe for its relief. Distress stalks into Lancashire; and remains there for six, nine, or twelve months, before any appeal whatever is made to the public at large. Again, an application was made to me from Bristol on behalf of the "valuable charities" of that city; but according to evidence before me those charities are not so very "valuable." Instead of being valuable, the Report of the Commissioners seems to show, that they are to a great extent pernicious. Mr. Cousins, vestryman of St. Paul's, Bristol, after forty years' experience of these matters, says—

"Small charities of from 1*l.* to 6*l.* pauperize the people; they destroy the sense of shame, and the deserving do not get them. The poor people (he adds) spend more time in looking after such gifts than would suffice to gain the same sums by industry."

And the very same evidence you may hear from the most judicious clergymen, and administrators of alms, in other parts of the country. The Education Commissioners of 1861 very naturally say—

"These charities, then, by their operation are teaching indolence, mendicancy, servility, and falsehood to the poor of Bristol; almost as effectually as

industry, the love of independence, and veracity, can be taught by means of the funds which the State supplies in aid of the Bristol schools."

I will not trouble the Committee with more quotations. I am not about to state, that these small charities are generally scandalous. My statement is limited to this: that they have no claim whatever upon the public purse; and that at the present moment, constituting as they do, as far as I am able to judge, not far short of one-half in annual income of the so-called charities of this country, they are saddled on the public purse, if that calculation as to their amount is correct, to the extent of 125,000*l.* a year.

But I will now take one of the cases which really deserves to be made known, however modest those who are connected with it may be. I refer to Jarvis's charity. The founder, poor man, could hardly have expected to obtain notoriety through public discussion in this House. Mr. Jarvis died in 1793. He left about 100,000*l.* for the poor of three parishes in Herefordshire, to be given in various ways, for physic, clothing, food, and so forth; but there was one application of his money, to which he had a particular aversion; he absolutely forbade that any of it should be laid out in building. That was expressly excluded by the terms of his gift. I suppose his idea was to supply the current wants of the poor, rather than to be immortalised by a stately structure; and so far, I think, he deserves all praise. The population of these three parishes, at the first census after Jarvis's death, taken in 1801, was 860, and in 1851 it was 1222. What was the reason of this increase of population? Had employment increased there? No. Had trade come there? No. Had manufactures been established? No. Were wages higher in these parishes? No; they were lower by 2*s.* a week. Were the dwellings good? No; they were the most miserable and scandalous, so we are informed by authority, that disgraced any part of the country. But the people went into them, and went into them naturally enough, for it was in order to wait for the doles; for those gifts, which by Jarvis's mistaken and misguided benevolence were distributed to them, pretty nearly doubled the estimated gross income of the agricultural population of those parishes. That was, for people in such a rank, a splendid, an intoxicating inducement. But was it wise? Was it good for them? Or, again, was the evil only an economical evil? Did the morals of these poor people improve?

The statement of the authorities, who have investigated the case, is this, that the morals of these parishes were such as they were forbidden by common decency to describe. And then, Sir, every 11*l.* of Mr. Jarvis is to have a twelfth pound added to it by the State, which is to be taken out of the pockets of the tax-paying community at large! A more gross injustice, in my opinion, has never been committed, and cannot readily be imagined.

Well, Sir, all this went on till it became perfectly indescribable; and the public nuisance could no longer be borne, fostered as it was by Parliament, and aggravated by the money added to the fund from the contributions of the public. In 1852 an Act of Parliament was procured, to place this particular charity on a better footing; but a great portion of the evil is still left in full force and vigour. The funds are still limited to the same three parishes; but what do the Committee imagine was the best remedy which the wisdom of the promoters of the measure could devise? They desired, and they obtained, power to lay out 30,000*l.*, or nearly one-third of the whole sum, in the very thing and the only thing which old Jarvis forbade, namely, in building. Do not let it be supposed that I question the conduct of the trustees or managers of this charity. I know nothing whatever against them. But they have had a hopeless task. Appointed to execute a will, they have been driven to ask for a flagrant violation of it. These are the preposterous conclusions at which we arrive if we refuse to listen to the dictates of sound sense and moderation in these matters. 30,000*l.* is a large sum, and a great deal might be done with it. It might almost build a university for the West of England, and, if not a university, at any rate a great college. But what they are going to build is a boarding school for the children of the labouring population of these three parishes. The real meaning of this is, that the money of old Jarvis, supplemented by the money of the State, which we improvidently and unjustly take from the pockets of the tax-payers for the purpose, has grown to such a height that the trustees are driven to their wit's end to know what to do with it; and much as was the case with the Donaldson Hospital at Edinburgh, they have undertaken, so at least I presume, an immense deal of unnecessary work in brick and mortar, because, like sensible men, they felt that in that way if it did no good, it would at least be doing little harm.

I could very easily entertain the Committee with more cases of this kind; striking and amusing, but, at the same time, on reflection, rather painful cases. I will advert but very briefly to one. The Commissioners of Education have reported on the Canterbury charities; and among them is one called Lovejoy's charity, part of which is directed to be applied to poor, ancient, and sick people not receiving parochial relief. There were 500 persons receiving relief from this charity; and as to 113 of these the Commissioners could obtain no information; but of the remainder there are 145, of whom they give the following account:—There are 51 persons in good employment, not needing relief; 36 paupers, who by the foundation are expressly and specially excluded from any such aid; 18 occasional paupers; 18 drunkards; 17 bad characters; 4 brothel-keepers; and 1 convicted felon. And yet to every 11*l.* distributed by this charity of Lovejoy, 1*l.* is added by Parliament; and is taken for the purpose from the pockets of the taxpaying, and in a great part from those of the labouring, community. These small charities, I say, are not fit subjects for public endowment; and I am convinced that if they were brought before Parliament in a proper and constitutional way, no one would venture to ask one pound per cent., nor one shilling, nor one farthing per cent. for a single one among them.

Let us come now to what I have ventured to term the middle charities; which may be said to be generally distributed in money; the smaller charities being distributed sometimes in money, and sometimes in kind. I wish the Committee to notice particularly what has been the true meaning and effect of the proceedings of the Government on this point; because it has been remarked in some quarters, that there is great inconsistency in removing the exemption from charities, while, at the same time, we give a new exemption to persons of less than 200*l.* a year income. I draw a broad distinction between exemptions which are partial, and are made in favour of particular persons, places, or the like; and exemptions which relate to the entire mass of the community, which are founded on a general view of the bearings of our system of taxation, and which aim at preserving a real equality between one class and another. But let us now consider, apart from the mode of giving and of taking, what we take from, and what we give to, the classes affected by these middle charities. Let us take the case of the

Clergy Orphan Association. It has an income of 5000*l.* from endowments; the income tax on which, at 7*d.* in the pound, would be 145*l.* 16*s.* 8*d.* That is the sum, then, which we propose to take from this association. Now, who is it, I want to know, that make, that supply, these "clergy orphans?" I apprehend it is the poorer clergy; and the poorer clergy, speaking generally, are those who have incomes of 100*l.*, and from that up to 200*l.* a year. We take 145*l.* from the funds applicable for the Clergy Orphans; not applicable as a matter of right, but as a matter of favour, of patronage, and of canvassing; applicable, not in a net sum, but subject to large deductions, for canvassing, in its multitude of forms and processes, often absorbs at once a large percentage of the benefit gained; but what do we do for the poorer clergy? We have some means of getting at the incomes of the clergy. Perhaps the right hon. Member for Oxfordshire (Mr. Henley), in his mild language, will say that we have robbed them; but let us see what we are actually doing with respect to them by the legislation of this year. I reckon that there may be five thousand of the clergy of the Church of England with incomes between 100*l.* and 150*l.* a year, and two thousand with incomes between 150*l.* and 200*l.*; altogether seven thousand with incomes over 100*l.* a year, and under 200*l.* If we take five thousand at an average income of 125*l.*, and two thousand at an average income of 175*l.*, the amount of remission of income tax to this class, by one of the propositions of Her Majesty's Government, will be 7000*l.* According to this computation, Sir, which is not minutely accurate, but quite sufficient for illustration, we take 145*l.* from this institution of the Clergy Orphans, but we leave to the poorer clergy 7000*l.* of additional income, which would, under the law as it previously stood, have come into the possession of the State.

Again, the objection is taken, that these charities are distributed, not, indeed, uniformly, but usually, in incomes under 100*l.* a year; and the other possessors of incomes under 100*l.* a year, it is said, do not pay income tax at all. With regard to the private and personal rights of the present possessors of these incomes the objection does not hold, as against the plan of the Government; because, with respect to them, we propose to leave them in the position they now occupy, and our Bill provides that they shall not be subject to any deduction. It has been said that this provision will be troublesome to the parties; but, on the contrary, it will be very easily worked by communication between

the Charity Board or the Governors or Trustees, whatever they may be called, and the Inland Revenue Office. But, with respect to the future, how are we to consider the case of those who have now no right to the benefit of these charities, but may enter upon them at some future time? I want to make the comparison as fairly as possible, and I will therefore consider these future entrants as persons coming into incomes derived from property in succession to one another. The comparison seems to be not unfair, perhaps it is rather more than fair, to the charities, since their beneficiaries commonly succeed in virtue of a weaker tie, than the successors to private properties. But I do not wish to strain my argument; and I will not dwell, therefore, on the fact that they are strangers to one another, but will take them simply as persons succeeding to one another upon death; and I will compare their position with that of those who have corresponding incomes not derived from charity, and who are exempt from the income tax. It is to be understood throughout, that I am now dealing only with persons having less than 100*l. per annum*.

We are accused, Sir, of inconsistency in taxing charitable incomes; but if we wanted logical consistency—if we seek to deal equally—we should make people who are in the enjoyment of these incomes from charities, pay not single, but more properly double, income tax. Suppose, now, we take a private property of two thousand pounds in value; which, in the funds, would produce 65*l. per annum*. A man succeeds to this property; and the succession passes from him to his child by death. Succession is calculated to come by death once in thirty years. The average amount of succession and probate duty, with the charges necessarily incident to them, has been estimated, on inspection of a number of cases, by a most able and accurate official authority to be somewhere about 12 per cent. upon the capital of the property. That would take from the possessors of the non-charitable income of 65*l.*, 12 per cent. on the capital sum of 2000*l.*, or 240*l.*, once in thirty years; that is 8*l.* 5*s.* a year, which is equal to an income tax of 2*s.* 6*d.* in the pound. On the other hand, it is now proposed to take from the charitable income of 65*l.* a tax of 7*d.* in the pound, which amounts to 455 pence, or 1*l.* 17*s.* 11*d.* in the year, in lieu of the 8*l.* paid by the non-charitable income, of the same amount, in the form of death duties, and of the legal expenses incidental to the arrangement of a succession. Such is the extraordinary amount of excep-

tional favour accorded by the law to these particular interests. Even this, perhaps, is not all. Perhaps, if I were competent to deal with this subject legally, I should be justified in saying that we have no right to look at future recipients at all; but the result, even in my manner of contemplating the subject, is that upon these small properties is levied a tax, not all coming into the coffers of the State, but all inevitably and practically incidental to bringing into the coffers of the State what comes there, and amounting to more than four times as much as we now propose to levy upon corresponding incomes derived from charitable funds.

I now come to the larger charities. These may be considered as falling under two classes; one of them represented by Christ's Hospital, a great charity of education; and the other consisting of what I frankly admit to be on the whole the very best, so far as I am informed, of all these charities; namely, the great endowed Hospitals. I hope the Committee will grant me its indulgence, while I deal with the case of Christ's Hospital; because that institution is under the most illustrious patronage, and I have no doubt that those connected with it, so far as they are personally concerned, exercise their powers upon enlightened principles, and with the best intentions. My proposition is this; that, while the public really contribute about 6000*l.* a year to the funds of the charity, Christ's Hospital is not entitled, upon any ground of right or public policy, to receive a single shilling.

Let us go back to the foundation. Christ's Hospital, as we find, was founded for the very poorest of the poor.

“Our Sovereign Lord the King, of his mere mercy, has pity and compassion on the miserable state of the poor fatherless and motherless children, the sick, the sore, and impotent,”

and so on. Such are the terms of the original charter of Christ's Hospital. Where are all these sick, and sore, and impotent people? They have gradually improved in their circumstances, and worked upwards in society with the increasing wealth of the institution. And now they are the children of people with 100*l.* or 200*l.* a year, with 300*l.* a year, with 400*l.* a year, and in some cases with 500*l.* a year. I deny that such people are for one moment entitled to call upon Parliament for a vote of public money in aid of the education of their children; and if we could but get at the truth, if we could but get rid of these

exemptions, if we had to consider the matter as a portion of our annual expenditure, if members had the opportunities of examination, which yearly voting affords, no man would dare to stand at this table, and to ask the House to vote 5000*l.*, or 500*l.*, or even 5*l.* a year for such an institution as Christ's Hospital. But what is the nature of Christ's Hospital? It is an institution with an income of nearly 70,000*l.* a year. I have no means of ascertaining the precise amount; but, as I was told to-day upon the highest authority, that if we imposed this tax we should get about 2000*l.* per annum from Christ's Hospital, and as the income tax is to be somewhat under three per cent., I infer with some confidence that the income of the institution must be something like 70,000*l.* a year. It must be even more, indeed; because we already get income tax from the recipients of salaries, if they do duty for their money;—for it is essential to the definition of a charity, so as to exempt it from the income-tax, that the recipients should do nothing whatever in return for what is given to them. It is a charity where a man receives money because he is the descendant of somebody else, or because he is a poor Knight of Windsor; a man cannot be called upon to pay income tax if he is able to show that he does nothing for his income. But this by the way. Christ's Hospital, I believe, has 500 Governors, who come into their offices upon the payment of 500*l.* each. What splendid benevolence! Is it not a noble and spirit-stirring reflection, that you can find in this country ten or a dozen men every year to pay 500*l.* each for the benefit of this institution? Such is the first reflection suggested. But what is the second? What is the real truth? Are these contributions, of 500*l.* each man, given out of pure charity? Do the Governors get nothing in return? Sir, not exactly so. They get a vested right in their turns to 1600 presentations; presentations to some 70,000*l.* a year of income from fixed property; presentations given without responsibility. Such patronage, as things go in this wealthy country, and the power it brings with it, are cheap at such a price. But I am not proposing a revolutionary measure; I am not seeking to take money from the Hospital; I am simply asking that we, who represent the taxpaying and the labouring community, should not have to give another 6000*l.* a year out of the public purse; for that is about the sum, as I reckon it, which is the value of the exemption enjoyed by this charity from all direct taxation. But I am told that the

Governors will have to dismiss a number of the boys. I am sceptical upon that point. The same cry has been raised over and over again. During the last twenty years, since I began to deal with these subjects, every financial change beneficial to the country at large has been met with a threat that somebody would be dismissed. The statement that some boys will be dismissed does not command my belief; but if they were to be dismissed, I deny that it is the business of Parliament to give public money, drawn in great part from the poor, in order to educate the children of people who are not poor, and to extend at the public charge the patronage enjoyed by the Governors of Christ's Hospital. Take, again, the case of the Charterhouse. It is customary to make Prime Ministers Governors of that institution. My noble Friend near me is a Governor of the Charterhouse, and he admits it.* His Governorship affords him, I believe, a certain amount of patronage; and I know I have his assent when I say that his patronage ought not to be augmented by a public grant. The remission of the income tax in such cases is a gross abuse; an abuse which would not survive a single Session, if, instead of compelling us thus to deal in the dark by way of exemption, men were to come honestly forward and make their appeal to Parliament for a grant for these charities, as a legitimate portion of the public expenditure.

But so much has been said, Sir, about the excellent nature of these institutions, that I must return for a moment to Christ's Hospital. I am utterly sceptical as to the unmixed and unbounded benefits conferred by such schools. Here are vast masses of 1200 or 1500 small boys gathered together for the purpose of education; I do not care for the precise number, either will do; no doubt the younger boys are sent down to Hertford. These huge establishments are not subject to any of those powerful and beneficial influences that are useful, nay, I go further, that are generally speaking quite necessary, to maintain a pure atmosphere and a healthy tone in every school. By these influences I mean first, the press; secondly, the public; and thirdly, and most of all, the parents. I question the unmixed usefulness of schools, which are wholly independent of all these influences. I question the closeness of the system, the want of responsible superintendence, the want of all controul whatever

* Viscount Palmerston nodded assent.

on the part of the parents. But this is drawn from me by the vaunting tone which is so commonly used in speaking of these charities. It is beyond and beside my purpose. I do not for a moment doubt that this institution does much good: it is almost impossible that it should not. I say that mixed with the good there is much that is not good, and that might be better. But though I think these schools are in many respects questionable, it is not my business to bring an indictment against them; it is the menace of the dismissal of forty boys which compels us to examine into these things, and to see whether there is a claim on the part of such a foundation as Christ's Hospital to be improved to the extent of one-twelfth of its income by a grant taken out of the pockets of the taxpaying community.

Here, Sir, I am bound to say that those connected with the Hospital have not, so far as I know, exhibited any desire to keep back any information. I find it stated by the Education Commissioners that the Treasurer gave his evidence before them in a frank, open, ingenuous manner. The faults of the institution are chargeable, not to the officers, not to the Governors, but to causes and circumstances over which they have had no controul. But the Committee should hear the real state of the case. I have said that the presentations are the patronage of the Governors, almost approaching to the character of private property. The Education Commissioners say:—

“They are so absolute, that it is doubtful whether the Hospital has legal power to refuse any child presented by a Governor, however unqualified for admission in point of knowledge the child may be.”

Mr. Gilpin, the Treasurer, says:—

“We have been inundated with children who did not know their letters; the result of which has been that it has been very detrimental to the school.” He adds, “We have had children who, after they have been at Hertford for two years, have hardly been able to spell. We positively were met on one occasion, when a child came for admission, with the fact that he really did not know his letters. I asked the mother what she could be about, she being the mistress of a national school, and I said, ‘What can be the reason of this?’ The reply was, ‘We knew he was to have this presentation; and therefore we did not take the trouble to educate him at all.’”

Mr. Gilpin also states, that the gift boys from different parishes were better educated, than those who have been put in by the donation Governors. But at length the Governors took umbrage

at this state of things, and passed a Resolution, that no child should be admitted, unless he could read fluently the four Gospels. Yet even then, and when matters had gone to such an extremity, one Governor argued against the Resolution in this way ; "I have made myself a Governor, and if I choose to send my boy to this large charitable school, it is your duty to educate him." The solicitor of the Hospital, we are told, was consulted as to whether a Governor could insist on sending a boy who could not read at all, and the answer which he returned was that he thought the matter doubtful. Strange as it may seem, such is the fact ; but I do not think it at all doubtful, whether it is just and fair that the taxpaying community should be required to contribute some 6,000*l.* a-year towards the maintenance of Christ's Hospital.

Now, Sir, I will compare Christ's Hospital, for the sake of illustration, with another charity in London. There seemed to be very great hesitation on the other side, when I asserted what seemed to me a very simple proposition, that the alms of the living stand on a higher footing than the bequests of the dead. But I presume no one will deny this ; that the alms of the living ought, at any rate, not to be treated worse than the bequests of the dead. Let us take, then, the case of King's College: No person connected with King's College has, I believe, ever exercised an act of patronage, or any act which can be so called. King's College was founded thirty years ago. The funds include 90,000*l.* from donations, 50,000*l.* from shares, and 15,000*l.* from endowments. The funds have been devoted wholly to education. There is, therefore, no competition between the interests of the shareholders and the interests of the institution ; but it is provided that, when all the purposes of the College are fulfilled, the shareholders may receive a profit of four per cent. They have never received a shilling. They have created an excellent College, with an excellent school, occupying a high position among the schools of the country. King's College has taken its place among the permanent educational establishments of the country. It is an institution dependent upon public approval : were it mismanaged, its students would disappear. It is not disputed that every shilling has gone to a charitable purpose. But King's College has never recovered one shilling of income tax on anything which it possesses ; and by a recent decision the buildings are to be charged as upon a rental of 1370*l.*, on which

the income tax will be payable. That is the consistency—that is, I would almost say, the decency, which fattens rich, and what I might almost call bloated institutions, at the expense of the public; but leaves struggling ones to make their way in the world as best they can.

I come now, Sir, to the case of the Hospitals. The case of the Hospitals, properly so called, is by far the best: and in Hospitals I include everything which embraces the relief of involuntary ailments; dispensaries, infirmaries, and lunatic asylums. Hospitals, so understood, may probably amount to nearly one-fourth of the whole of the charities; and they give the best case, both because of the nature of the wants to which they minister relief, and because they involve so little of the vicious and corrupting element of patronage. When we speak of a charity, as a general rule, we speak of some administrator or dispenser of charity, who, in a greater or less degree, derives consequence and importance from managing that charity, which he would not otherwise possess. But in the case of Hospitals, within certain limits of distance, and, perhaps, with certain moderate advantages on the side of those who carry particular recommendations, it may, I believe, be truly stated, that suffering and woe are the only absolutely necessary passport; their doors are open to all who are oppressed by poverty, misery, and disease; and, speaking generally, patronage does not exist. There is no fear of stimulating such evils as these by a multiplication of hospitals; and there is no waste, by canvassing, of the resources of those who seek to partake of the benefits of the foundation: whereas on the other hand it is too true that, in the case of some charities, the candidates collectively spend more in the canvass, than the presentation itself is worth. But in the case of Hospitals there is no canvassing; there is no expectancy; there is no fraudulent pretence; there is no ill-will. Dr. Chalmers, the man perhaps of all others in this country who most happily combined a high character for benevolence with the character of a sound political economist, was not ashamed to say that, while he proscribed most of the foundations termed charitable, he admitted that great benefits were derived from Hospitals. For this very reason it is that the want of Hospitals is the one most easily supplied by voluntary contributions; and I believe, that, if any calamity swept from the surface of the earth the great and wealthy endowed Hospitals, the liberality of the public

would, within no prolonged period of time, supply accommodation for all who might require it.

Having thus, Sir, stated in no niggardly spirit the case of the Hospital as such, I will now proceed to consider how these establishments are affected by the plan of the Government. And I will take the instance of St. Bartholomew's, in respect of which this proposal to impose the income tax is thought to be so very cruel. The income is 36,000*l.* a-year. The income tax paid should be some 1050*l.* The sum paid upon salaries is about 200*l.* a-year. The benefit which St. Bartholomew's has thus enjoyed, at the expence of the community, and perhaps it may be said at the expence of those especially who pay Income Tax, has been about 850*l.* a-year. During the last twenty years, after allowing for the investment of fresh capital, landed income generally throughout the country has improved eight per cent. About 150,000,000*l.* have been contributed in the form of income tax by the community, since 1842, mainly in order to bring about those commercial and financial changes which have been—I do not say the sole—but the most important agents in bringing about that improvement. In 1841 the income of St. Bartholomew's was 31,335*l.* In 1862 it is 36,030*l.*, showing an increase of 4,695*l.* Here is an increase of 15 per cent., or about double the increased rate of improvement in land generally. It is due, I believe, partly to the sale of property in choice situations to railway companies, and partly to such improved administration, as has been brought about by legislation. But it is fair to assume, that independently of those causes, the increase has been eight per cent. I will also assume, and I think the assumption is moderate, that one-half of this increase in the value of landed property is owing to the increased activity of trade and commerce, brought about through commercial legislation, and the increased value which has thereby been imparted to property in land. Therefore, I say that St. Bartholomew's is debtor to the income tax four per cent., or 1440*l.* What on the other hand, are the benefits which St. Bartholomew's has received through the remission of indirect taxes on the commodities which it consumes? It consumes 2,246 lb. of tea in the year; and the reduction in the duty on tea, from 2*s.* 2½*d.* to a shilling per lb., is equal to a fresh endowment of 192*l.* 14*s.* 7*d.* The reduction, which has been effected in the duties on sugar and on treacle, is equal to a fresh endowment of 82*l.* 15*s.*; that on soap, to an additional income of

26*l.* 2*s.* 6*d.* ; on butter and eggs, to one of 141*l.* 2*s.* 3*d.* ; on spirits, to 98*l.* 15*s.* 10*d.* ; and on wine to no less than 288*l.* 13*s.* The drugs and medicines consumed in the Hospital are valued at 4150*l.* a-year ; and although it would be very difficult to ascertain with precision the amount of charge for customs' duty from which these articles have been relieved, I think that, adverting to the rates formerly payable on drugs, 10 per cent. is a moderate estimate ; and that computation gives an additional endowment of 415*l.* Thus we obtain a total of relief to St. Bartholomew's on those seven articles alone amounting to 1245*l.* a-year. If we add 50 per cent., or 622*l.*, which seems a moderate estimate, for the saving on all the other articles of food, clothing, building materials, and so forth, we shall find that St. Bartholomew's is a debtor to the income tax to the amount of 1867*l.* a-year on account of duties reduced on articles of consumption, and to the amount of 1440*l.* on account of enhanced value of property. Altogether, therefore, 3307*l.* of direct pecuniary benefit is now annually received by St. Bartholomew's, and much of this sum has been enjoyed during a course of years, through the operation of the Income Tax ; while 850*l.* is all that the proposal of the Government would require it to contribute towards the general purposes of the State. Nay, take into view, if you will, no part of this benefit, except the direct relief upon articles of consumption ; and still, upon the lowest estimate, it is far beyond the sum we are about to levy in aid of the common taxation of the country. I really know but one answer to this argument, and to our proposal. It is this ; that, St. Bartholomew's being an establishment for the relief of the most miserable class of the community, is entitled to receive a public subvention. The Income Tax, as I have shown, has given the institution 3300*l.* ; and now we ask for 850*l.* ; leaving a balance of 2450*l.* still to the credit of the Income Tax. I repeat, the only argument against taking that 850*l.* is, that the Hospital deserves a public grant. Now, Sir, it was not my intention to make any remarks on the management of hospitals of this kind, which we must all regard with so much favour and respect ; but when at every turn the threat is flung in my face that if this measure is carried into effect, the number of patients must be diminished, then I am obliged to give a momentary attention to this part of the subject. I do not believe that the number of patients will be reduced ; and I do not see the smallest evidence

that such a step will be necessary. Those who, in the case of the protected trades, declared that if protection were withdrawn they must dismiss so many of their workmen, were not men who told wilful lies. They really believed what they said; they were merely not aware that more economical arrangements would enable them to keep their workmen, to pursue their trade, and even to make larger profits than before. One of the great evils of the present system with respect to charities is that, while we bestow, as I have shown, a large amount of public money on these establishments, we dispense with all public controul over them; and we thus annul all effective motives for economical management. Endowed institutions laugh at public opinion. There is no public opinion brought to bear upon them. The press knows nothing of their expenditure; Parliament knows nothing of it. It is too much to suppose that hospitals are managed by angels and archangels; and that their governors do not, like the rest of humanity, stand in need of supervision, of criticism, and of occasional rebuke. I do not speak of malversation and corruption: I speak of the innumerable shades, which separate good and thrifty from bad and wasteful management. Therefore, even in the case of St. Bartholomew's, I object to an exemption, which, by its very nature, at once removes a principal portion, at least, of the motives for economical management. When the managers tell me that the exaction of 850*l.* will compel them to dismiss 500 patients, I am entitled to ask, "Why, then, do you spend 220*l.* in a feast? Your 'cases' of patients are estimated to cost some thirty shillings each; what right have you to eat up in an hour 150 cases?" I confess I am amazed at the skill with which the opponents have put what is termed the best foot foremost. Their tactics and strategy have been admirable; but their case will not bear close scrutiny. What are the circumstances of Guy's, of St. Thomas's, and similar establishments? Every year some of these great foundations are able to place out 3000*l.* or 4000*l.* each, in reproductive investments upon their estates. Thus we find, that they are thinking not merely of the sick, but of the future aggrandisement and extension of these already very powerful bodies. But if the need for more accommodation in the Hospitals is so urgent, then outlay of such a kind is not defensible. My hon. Friend the Member for Bath (Mr. Tite) informed me the other day, that St. Thomas's spends fifteen per

cent. of its income in improvements on its land. Well, then, it is a matter for the State to consider whether the indefinite enrichment of such corporations—even of those instituted for the best of purposes—when entirely removed from the controul of public opinion, the press, and Parliament, is to go on without limit, and is to be augmented from year to year by regular, though unseen and unmeasured, contributions from the public purse. Now, Sir, I will speak out my mind upon these anticipations, these threats, of dismissals. I do not believe that a single patient will be dismissed from a single Hospital of London, if this proposal is agreed to. But if there were the slightest apprehension of such an occurrence, private charity would readily supply the void. I am willing to make a greater admission. A public grant might be given to replace the loss. Why not? It has never, indeed, heretofore been thought, that the relief of the sick, desirable as it is, is a proper subject for a grant from the Exchequer of this country; but it might be thought otherwise. I do not give any opinion on the matter; I express no foregone conclusion. All I say, and I challenge contradiction, is this; that a public grant to such an establishment as St. Bartholomew's would be ten times better than an exemption like the present. When there is a public grant voted from year to year, we see what we are about; we let in the light of day. The public becomes a party to the management; it has something to say, and has a right to be heard; and arbitrary will is dethroned.

There is another matter to be observed upon: it is, perhaps, even more important. Are the sick poor of London exclusively maintained by endowed hospitals? Are there no unendowed hospitals? What is King's College Hospital? University College Hospital? Charing Cross Hospital? or St. George's Hospital? [Lord ROBERT CECIL: St. George's is endowed.] St. George's is, I believe, in the main supported by voluntary contributions; but it may have a handful of endowment. Some of the hospitals I have named have less even than a handful. In substance they are dependent, all of them, on voluntary gifts; and the persons who give, also govern. Now for a moment let it in argument be granted, though as a practical measure it has never yet even been suggested, that Parliament ought to make a present of some thousands a year towards the care of the sick poor of London. Then, I ask, is it just, is it politic, is it even rational, that the grant should be confined to institutions which

possess 20,000*l.*, 25,000*l.*, 30,000*l.*, and 35,000*l.* a year, of their own, and which are in no degree influenced by controul or by opinion from without? Or is it not more just and rational that the money, instead of being given to these vast and wealthy establishments, should go in part, if not altogether, to the smaller and struggling institutions, some of which cannot always make sure even of keeping their beds open to the sick? The effect of the present exemption is to present a mournful parody of the words of Scripture; to those who have, more is given, while from those who have not, something is taken away. For instance, King's College Hospital is taxed; for it depends on voluntary subscriptions, while its management is subject to the opinion of the subscribers and of the public. The unendowed Hospitals are taxed: every guinea that is presented to them is from a fund lessened by the taxes, which the endowed Hospitals refuse to pay. I appeal against this great practical solecism. I also appeal to the House of Commons, on the ground of its own rules, and of its own duties, as they are illustrated by its own practice. If we have a right to give public money, we have no right to give it in the dark. We are bound to give it with discrimination: bound to give it with supervision: bound as a constitutional Parliament, if the Hospitals are to receive a grant, to bring them within some degree of controul. In the other class of cases, the tax takes away from a fluctuating income. Subscribers may drop away, the income may fall off; and I say, that if it be right to give money for the support of the sick poor, it is wrong to the great mass of the people that you should give it to the richly endowed institutions, as well as that you should give it, too, in the form of a blind exemption. It may, perhaps, be said in answer, that what the Government proposes to do is very insufficient. It is not, perhaps, an effectual mode of dealing with such a case as Jarvis's Charity. In fact, it is a very modest proposal. We ask to withdraw only a portion of the public subvention, which can be withdrawn without involving ourselves in serious practical difficulties. The application of the death duties to these charities would be far more consistent; but these would eat into the *corpus* of the charity: and if so much objection is taken to our moderate and narrow proposal, I need hardly apologise for our not having made it wider.

Before I sit down, Sir, I must call attention to the rapid growth of Charity estates. Strange to say, it appears to me that

the property of the charities is increasing in value even more rapidly, than the property of the community at large. The income of charities, as returned by the original Commission, between 1818 and 1837, was 1,209,000*l*. In 1862 it had risen to 3,000,000*l*. By our remissions we can trace and verify the estimate of their revenue up to the sum of about 2,666,000*l*.; but there is other property, which brings the value up to the larger amount I have just named. Consequently, if the charity property has increased in value 250 per cent., it has increased in an exceptionally rapid manner. How is this to be accounted for? I believe it may possibly be accounted for in this way. The chief donors to charities have been citizens; and the great bulk of the land which they have bestowed, being in the neighbourhood of towns, has shared, in a more than proportionate degree, the general rise in value of landed property. I will not go back upon the case of Jarvis's Charity; but there is in Monmouth a charity called Jones's Charity, which educates 100 boys. It has 320 acres of land at Deptford; and its income will be, I am told, after no large number of years, enormous. There is at Tunbridge a school which educates, at an expense of 4000*l*. a year I believe, some two hundred young gentlemen; how these young gentlemen can be objects of charity I do not know; but, at any rate, it is estimated that, before the lapse of any very long time, the lands of that charity will be worth 80,000*l*. per annum. There is also Smith's Charity at Kensington, a charity which deserves from us at least a passing glance. And I may here observe that I asked particularly the magnificent assemblage, which I had the honour of receiving in Downing Street to-day, whether the request, which they made for the withdrawal of our measure, related solely to the London Hospitals, and the other institutions which were especially represented by them, or to the whole mass of miscellaneous charities; and I was answered by a loud buzz from all sides of me, conveying the unequivocal affirmation that it was their wish—might I not go a little farther, and say their decision?—that all those charities should be held sacred from a tax, which I am every day compelled to wring from persons really poor, persons struggling with the world, hard pressed from day to day, and subject to the inexorable call of the Exchequer, because they are not so fortunate as to be connected with such endowments. When the working man appeals to me on behalf of wife and children, and

because of empty purses, fever, and sickness of all sorts, I am obliged to turn a deaf ear; I may not pity him; because I am permitted to make no deduction on his behalf in the payment of money required for the purposes of the State.

But to return to Smith's Charity. Smith, like other men, went the way of all flesh; but he had bequeathed his property for all time to his poor relations. Now what, let me ask, is the consequence of bequeathing property to poor relations? Not unfrequently to hold out to them an inducement I do not say to become poor, but I do say to adopt a mode of life which makes them poor. Is it, let me ask, in the interest of morality that a young man who has the world before him, and who has tastes and appetites which render him disinclined to work, but open to the seductions of life, should know that if he exerts himself, and that if his honourable industry be crowned with success, then he passes beyond the care of his progenitor: while, if he is idle, profligate, and dissipated, if he squanders the means he possesses, and so becomes poor, he will come in for a portion of Smith's Charity? [Dissent.] The right hon. Baronet seems to question it: but what are the facts of the case? Can he deny the truth of that which I have just stated? [Sir JOHN PAKINGTON: Dissipation is not a condition of the Charity.] No; but poverty is a condition; and dissipation in a natural and common order leads to poverty. How often, even without the knowledge of a certain resource in the event of impoverishment, do we find men ready to waste their substance in riotous living! Well, the bequest of Smith has supplied an additional inducement: and the improvident policy of the State, by the exemption of Charities from its taxes, further increases the force of the mischievous contrivance. I ask the House, then, with confidence, whether it is in accordance with sound policy and the principles of morality that a charity like that of Smith, should, throughout all time, for each given number of pounds, disposed of according to the founder's caprice, receive an additional pound from the coffers of the State? I am informed that when the leases of the charity property fall in, in some limited number of years, certainly before the close of the century, the income will be 50,000*l.* a year. Taking into view the general and rapid increase in the value of this exempted class of property, I think we may reckon it to be probable that the exemption, which now amounts to a

quarter of a million, will, before forty years are over, reach to half-a-million a year.

Sir, I have delayed the House long. Although I may have felt that it was on the present occasion my lot to address an adverse assembly, yet I have deemed it to be my duty as a Minister of the Crown not to shrink from the discharge of the obligation which was imposed upon me, but to show that neither my Colleagues nor myself have taken up this proposition lightly, or without due and full consideration. I am convinced, moreover, while thus inviting public attention to ground hitherto almost untrodden, that although particular interests may produce a momentary pressure, this discussion will not be without its fruits at a future day. Let me now sum up in the fewest words, my leading propositions. I have stated that it is only by a licence of speech, or by an enlargement at least of the signification of terms, that the noble name of charity can be extended to death-bed bequests, even when they are applied to useful purposes. I have stated that the charities of England, properly and rightfully so called, are not at this moment exempt; the exemption being confined to particular institutions, of a somewhat lower stamp. I have stated that the growth of the property of these charities is more rapid than the wealth of the rest of the country. I have stated that many of them have been declared on good authority to be doubtful or indifferent, and no small number positively, sometimes even virulently, bad. I have shown that the plan of the Government would subject the middle charities—which I admit to be generally good—to less than half taxation, as compared with private property under corresponding circumstances. I maintain that an exemption is a grant; and that all property should pay the taxes necessary for the enjoyment of all property. But I also maintain that in the case even of the larger charities, and of the very best among them, if they had any claim for a public grant, yet it is most impolitic and unreasonable to make such a grant by way of an exemption, which selects for favour institutions not in want, and leaves to struggle those which stand most in need of assistance. The proposition which I have made we do not submit to the House as a matter of financial necessity; we offer it to your notice as a measure of justice, and of sound general policy. I will say nothing now of the hard words which have been applied

to it; but of this I am sure, that no man would have given to it a more cordial or conscientious support than one who so lately sat upon this bench, and whose loss we so deeply lament; one who, if any man, deserves the praise of Rhipeus;

“Justissimus unus
Qui fuit in Teucris, et servantissimus æqui.”

We propose this, then, as a measure of justice. We do not presume as a Government, by the means which a Government may exert, to press it upon an adverse House. The House will be responsible for its rejection. We are prepared to defer to the opinion of the House. We do not wish to show any undue obstinacy, any persistence which the urgency of the case is not of a nature to justify. We reserve to ourselves the right to consider in what way the subject ought hereafter to be dealt with, if the House should not now be inclined to accept this proposal at our hands. But we at the same time earnestly recommend its adoption to the House, as a measure sound in principle—as a measure in conformity with the spirit which has guided the proceedings of Parliament for the last thirty years—as a measure just to the taxpaying community, and, above all, to the labouring poor, to elevate whose character, and to improve whose condition, is a main object of legislative care. In proposing such a measure we feel ourselves to be impregnable against all petty taunts and intemperate reproaches; and we commend it with confidence to the justice, the equity, the courage, and the wisdom of the House of Commons.

THE END.



THE HISTORY OF THE
CITY OF BOSTON

FROM THE FIRST SETTLEMENT
TO THE PRESENT TIME
BY
JOHN H. COLEMAN
OF THE CITY OF BOSTON



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